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# RAILROADS;

100328

THEIR CONSTRUCTION, COST, OPERATION,  
AND CONTROL.



By JESSE HARDESTY.

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## PREFACE.

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THE following pages were written for the purpose of placing before the people a few facts concerning construction, cost and operation of railroads in the United States, and of suggesting a way of settling railroad questions that have so long provoked discussion and occupied so much of the time of State and Federal courts, at an expense to the producers of many millions of dollars a year.

This book is *entirely non-partisan* in every sense of the word. No man's political opinions are attacked. The persons attacked are "artificial persons," corporations, belonging to the corporation family. No political party is condemned, nor is the cause of any party advanced. While the writer believes that the necessary railroad legislation will come through either the Democratic or Republican party, he neither expresses nor advocates any political preference. *Relief* is what the people want, and they should support that party which is willing and able to grant it.

The statistics herein furnished are such as will enable an impartial person to form a correct estimate of the cost of constructing the railroads, and assist

arriving at a just conclusion as to their present value. The writer believes that these statistics will convince an unprejudiced reader that the railroads, instead of being, as is claimed by the corporations, of the aggregate value of nearly \$12,000,000,000, did not in fact cost one-half of that amount, and could at this time be duplicated or reproduced for less than \$5,000,000,000, and that at the present time the face value of the over-issue of railroad stocks and bonds is more than \$6,000,000,000 in excess of the total value of all the railroads in the United States.

Figures furnished by the Interstate Commerce Commission are produced, showing that the producers pay more than four times as much to support "general" railroad officers as is paid to all the general officers of the United States, States and Territories for their services to the people. Facts and figures concerning railroad taxation are produced, showing that the burden of paying such taxes is unequal and falls most heavily on the producers of the country.

United States ownership, State control and State ownership of the railroads are presented for the consideration of the reader.

The means of correcting the present evils of railroad *management* are discussed.

JESSE HARDESTY.

DECEMBER 7, 1898.

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## **REMEMBER—**

**That every figure in this book has been verified. Should anyone dispute the authenticity of the statistics given herein, investigation at the source to which they are accredited will in all instances show them to be genuine in every particular.**

**The writer has taken the liberty of italicising and emphasizing certain lines and words in some of the quotations from the opinions of the courts and elsewhere.**

## CHAPTER 1.

Cost of transportation greater than the cost of government.—Gross and net earnings of railroads in the United States from 1830 to 1896.—Failure of Railroad Commissions to afford fair rates.—Statistics furnished by Railroad Commissions not the kind the people are entitled to.—Miles of railroad constructed in the United States from 1830 to 1896.—Miles of road in each State and Territory on June 30, 1896.—Number of miles of road per 100 square miles and per 10,000 inhabitants.—Groups or territorial divisions.—Total number of miles of all tracks on June 30, 1896.—General balance sheet of roads for year ending June 30, 1896.—Alleged cost of construction of roads.

In speaking of the amount collected from the people of the United States by the railroads for the year ending June 30, 1890, the following statement is made on page 10 of Part I, "Transportation by Land," Eleventh Census of the United States, 1890:

"A few facts in the summary of Table 5 are worth special notice. The aggregate earnings from operation are \$1,074,104,550.13, which shows that the railroads received for the services which they rendered to the public a sum in excess of the amount collected in the form of taxes by the Federal Government, the State governments, the municipalities, and the minor civil divisions. Thus the service of transportation costs the public more than the service of government. It is something of a measure of the extent to which concentration of railroad control has proceeded in this country, to observe that \$77,792,343.38 is annually received by rail-

road corporations as rental upon lines leased, and \$52,439,057.72 is passed to the credit of railroad companies on account of the interest and dividends upon bonds and stocks (the great majority being bonds and stocks issued by railroads), which are the property of railroad corporations."

According to the reports furnished by the Interstate Commerce Commission, Poor's Railroad Manual, and the Statistical Abstract of the United States, the earnings arising from the passenger and freight traffic do not represent the entire earnings from the operation of the roads. The miscellaneous earnings for the year 1896, not included in the earnings by the carriage of passengers and freight, amounted to the sum of \$89,894,754, while those of 1895 from the same source amounted to the sum of \$87,681,245. (See introduction to Poor's Railroad Manual for 1897, page iv.) From 1830 to 1896, the gross earnings of railroads in the United States from the carriage of passengers and freight amounted to more than \$27,000,000,000, while for the same period of time their net earnings from the same source were over \$9,000,000,000.

Many railroad manipulators and officials have grown enormously rich through rascality in the construction of roads and the fraudulent over-issue of bonds and stocks thereon. Roads that have been constructed and equipped for \$18,000 or \$20,000 per mile have been bonded and stocked for more than four times as much *as it cost* to construct and equip them; and then, for

the purpose of paying interest and dividends on these fraudulent over-issues, and giving them a market value, the people have been forced to pay exorbitant rates on the roads. Many talented but dishonest rascals have been employed by the roads, and made figure-head officials, paid enormous salaries and sent to the Federal and State capitals for the purpose of corrupting the legislative, executive, and judicial servants of the people. The people have many times attempted to have laws enacted for the purpose of controlling corporate greed and dishonesty, but the courts, while reiterating their tiresome platitudes about the right of the States to control the roads within their jurisdiction and protect the people against unjust rates and discriminations, etc., etc., usually find that the State law in question is inoperative, null, and of no binding force, for the reason that it violates the fourteenth amendment of the Constitution of the United States by depriving the corporation of its property "without due process of law," or that it deprives the corporation of the "equal protection of the laws."

The Federal and State governments have elected or appointed railroad commissions and enacted laws for their guidance in the discharge of their duties, but the labors of these commissions, instead of settling the vexed questions concerning fares and freights, have brought about a vast amount of expensive litigation in the Federal and State courts, the expenses of which have all been paid by the producers, Voluminous reports have

been published by the Federal and State commissions, but with the exception of those of one State, they contain but little information that will assist the farmer in arriving at a knowledge of the true value of the roads and equipments, and the reasonableness of the rates charged. The skilled hand of the figurehead railroad president or official can be readily detected in the "rot" contained in many of these so-called "Reports," which contain dreary pages of the number and kinds of locomotives and cars fitted with train-brakes and automatic couplers, but not a word as to the prices of these brakes and couplers, nor the prices of the locomotives and cars to which they are fitted. We are told that a road is stocked for \$174,300,000 and bonded for \$79,922,028, but not a word as to what per cent. of their face value the corporation received for these millions when they were placed upon the market, if they have been so placed. What does the farmer care, after he has been parted from his money, whether he lost it by mileage, tonnage, or stealage?—as they all amount to about the same thing. Yet he is told all about the number of passengers and tons of freight that are "carried 1 mile," and "1 mile per mile of line." These statisticians should take a new departure, and give the public the kind of information it is entitled to, such as the date of the construction of the road, the current market price of every item of expense entering into the construction and equipment of each road at the time it was constructed, together with its present value per mile. The

only information the public gets from these reports (with one exception) as to the pretended value or cost of the roads, is a statement of the amount of bonds and "watered" stock they are trying to earn interest and dividends on.

The statistics set forth in the following pages are the best that the writer has been able to secure for the purpose of giving the public some definite information on the subject of the cost of construction and operation of railroads in the United States. The reader will readily understand that while the prices may be given of all kinds of materials, supplies, rolling stock and labor during the time in which nearly all the railroad mileage was constructed, yet without a statement of the average number of cubic yards of earth and rock excavation and embankment per mile, and the number and length of bridges per mile, it is difficult to arrive at the cost of construction of particular lines of road. The following statistics, however, will convince any impartial reader that the railroads, with all the "waste, extravagance and rascality" that entered into their construction, did not cost one-half the amount for which they have been stocked and bonded. These statistics have in many instances been furnished by the corporations in their reports to the Interstate Commerce Commission, and are therefore as favorable as possible to the corporations.

In Table No. 1 will be found a summary of the railroad mileage in the United States from the year 1830 to 1896, by which it will be seen that during the thirty-

one years following the year 1830 and ending with the year 1861, 31,263 miles of road were constructed, being an average of 1,008+ miles per year. That during the five years following the year 1861 and ending with the year 1866, there was an increase of 5,515 miles, making a total of 36,801 miles, being an average increase of 1,103 miles per year for the five years. The reader's attention is called to the fact that Table No. 1 shows that at the end of the year 1879 the total mileage was 86,584 miles, and that during the seventeen years following the year 1879 and ending with the year 1896, 96,016 miles of road were constructed, being 9,432 miles more than was constructed during the fifty years following the year 1829 and ending with the year 1879.

The relevancy of the foregoing facts will appear, when we come to consider the cost of the roads per mile.

In Table No. 2 will be found the number of miles of railroad in each of the States and Territories on the 30th day of June, 1896, also the number of miles of line per 100 square miles of territory, together with the number of miles of line per 10,000 inhabitants, and the increase of mileage in each State for the year ending June 30, 1896. By the term "official" is meant the mileage reported to the Interstate Commerce Commission by the authorized agents of the roads. By unofficial mileage is meant mileage of lines which for some reason have during the year failed to make a satisfactory report to the Commission. By this table it will *be seen* that in the following eleven States and Terri-

## MILEAGE.

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TABLE NO. 1.—NUMBER OF MILES OF RAILROAD IN OPERATION AND THE INCREASE OF MILEAGE IN THE UNITED STATES EACH CALENDAR YEAR FROM 1880 TO 1896.  
[From the Statistical Abstract of the United States.]

Calendar year.	Miles in operation at the end of each year.	Increase each year.	Calendar year.	Miles in operation at the end of each year.	Increase each year.	Calendar year.	Miles in operation at the end of each year.	Increase each year.
1880.....	23	.....	1883.....	15,360	2,452	1876.....	76,808	2,712
1881.....	85	72	1884.....	16,720	1,360	1877.....	79,088	2,280
1882.....	229	134	1885.....	18,374	1,654	1878.....	81,787	2,679
1883.....	380	151	1886.....	22,016	3,642	1879.....	86,864	4,817
1884.....	633	253	1887.....	24,503	2,487	1880.....	93,236	6,712
1885.....	1,098	465	1888.....	26,968	2,465	1881.....	103,143	9,847
1886.....	1,273	175	1889.....	29,769	1,821	1882.....	114,712	11,569
1887.....	1,497	224	1890.....	30,626	1,857	1883.....	121,455	6,743
1888.....	1,913	416	1891.....	31,286	660	1884.....	123,379	3,824
1889.....	2,302	389	1892.....	32,120	834	1885.....	128,361	2,982
1890.....	2,818	516	1893.....	33,170	1,050	1886.....	136,379	8,018
1891.....	3,535	717	1894.....	33,908	738	1887.....	149,257	12,878
1892.....	4,026	491	1895.....	35,085	1,177	1888.....	156,169	6,912
1893.....	4,185	159	1896.....	36,801	1,716	1889.....	161,353	5,184
1894.....	4,377	192	1897.....	39,250	2,449	1890.....	166,691	5,345
1895.....	4,633	256	1898.....	42,229	2,979	1891.....	170,769	4,071
1896.....	4,930	297	1899.....	46,844	4,615	1892.....	176,188	4,419
1897.....	5,598	668	1870.....	52,922	6,078	1893.....	177,485	2,297
1898.....	5,996	398	1871.....	60,293	7,379	1894.....	179,393	1,909
1899.....	7,365	1,369	1872.....	66,171	5,878	1895.....	180,912	1,519
1900.....	9,021	1,656	1873.....	70,268	4,097	1896.....	182,900	1,888
1901.....	10,962	1,961	1874.....	72,385	2,117			
1902.....	12,906	1,925	1875.....	74,096	1,711			



## RAILROADS.

TABLE NO. 2.—RAILROAD MILEAGE OF THE UNITED STATES BY STATES AND TERRITORIES, JUNE 30, 1896.

[From the Statistical Report of the Interstate Commerce Commission.]

State or Territory.	Official.	Unofficial.	Total.	Proportion to total mileage.	Increase over June 30, 1895.	Number of miles of line.	
						Per 100 square miles of territory. <i>a</i>	Per 10,000 inhabitants. <i>b</i>
	<i>Miles.</i>	<i>Miles.</i>	<i>Miles.</i>	<i>Per cent.</i>	<i>Miles.</i>	<i>Miles.</i>	<i>Miles.</i>
Alabama.....	3,653.27	70.34	3,723.61	2.04	28.02	7.24	22.02
Arkansas.....	2,479.32	75.18	2,554.50	1.40	10.23	4.82	20.22
California.....	4,940.02	115.29	5,055.31	2.77	20.05	3.24	37.38
Colorado.....	4,590.14	.....	4,590.14	2.51	39.19	4.43	99.42
Connecticut.....	1,048.30	.....	1,048.30	.55	.05	20.81	12.07
Delaware.....	317.42	.....	317.42	.17	.05	16.20	16.82
Florida.....	3,053.74	71.91	3,125.65	1.71	125.84	5.76	71.38
Georgia.....	5,179.87	155.49	5,335.36	2.92	233.77	9.05	25.97
Idaho.....	1,065.34	.....	1,065.34	.59	.06	1.29	115.30
Illinois.....	10,089.32	36.65	10,725.97	5.87	76.09	19.15	25.04
Indiana.....	6,263.17	110.09	6,373.26	3.49	222.02	17.76	25.97
Iowa.....	8,516.52	4.53	8,521.05	4.66	7.86	15.36	39.82
Kansas.....	8,846.58	.....	8,846.58	4.84	34.56	10.83	56.38
Kentucky.....	3,003.56	21.57	3,025.13	1.66	c 8.81	7.56	14.55
Louisiana.....	2,101.71	134.28	2,235.99	1.22	130.17	4.92	17.86
Maine.....	1,724.87	.....	1,724.87	.94	81.88	5.77	23.31
Maryland.....	1,800.42	.....	1,800.42	.71	c 1.14	13.19	11.14
Massachusetts.....	2,112.68	8.78	2,121.46	1.16	2.50	26.38	8.47
Michigan.....	7,686.96	131.41	7,818.39	4.28	140.53	13.62	33.36
Minnesota.....	6,155.85	.....	6,155.85	3.37	110.43	7.77	42.26
Mississippi.....	2,496.04	30.00	2,526.04	1.38	20.85	5.45	17.50
Missouri.....	6,599.17	9.30	6,608.47	3.62	16.50	9.62	22.04
Montana.....	2,845.34	.....	2,845.34	1.56	4.29	1.96	192.87
Nebraska.....	5,557.58	.....	5,557.58	3.04	c 8.09	7.23	46.87
Nevada.....	915.62	.....	915.62	.50	.....	.83	179.49
New Hampshire.....	1,208.71	.....	1,208.71	.66	2.23	13.42	28.67
New Jersey.....	2,202.21	18.00	2,220.21	1.21	4.56	29.78	13.73

## MILEAGE.

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New York.....	8,116.00	11.00	8,127.00	4.45	24.19	17.07	12.11
North Carolina.....	3,427.90	66.90	3,494.80	1.91	57.79	7.19	19.29
North Dakota.....	2,518.56	.....	2,518.56	1.88	c4.98	3.59	123.18
Ohio.....	8,722.86	3.93	8,726.29	4.77	111.06	21.41	21.23
Oregon.....	1,513.43	.....	1,513.43	.83	c7.14	1.60	43.21
Pennsylvania.....	9,882.97	86.60	9,919.57	5.43	168.18	22.06	16.87
Rhode Island.....	220.61	.....	220.61	1.12	c.45	20.33	5.72
South Carolina.....	2,576.55	39.80	2,616.35	1.43	c19.41	8.07	20.31
South Dakota.....	2,794.57	18.84	2,801.41	1.53	3.11	3.65	76.17
Tennessee.....	3,074.71	16.44	3,091.15	1.69	c19.83	7.40	15.63
Texas.....	9,404.44	115.10	9,529.54	5.21	144.79	3.63	38.04
Utah.....	1,374.55	.....	1,374.55	.75	c1.17	1.67	59.06
Vermont.....	967.62	.....	967.62	.54	6.53	10.81	26.54
Virginia.....	3,622.84	18.10	3,640.94	1.99	66.82	9.07	19.64
Washington.....	2,631.87	204.83	2,836.70	1.55	c3.48	4.24	72.47
West Virginia.....	2,013.20	50.50	2,063.70	1.13	69.96	8.37	24.18
Wisconsin.....	6,166.18	.....	6,166.18	3.37	115.25	11.32	32.65
Wyoming.....	1,179.97	.....	1,179.97	.65	.....	1.21	173.00
Arizona.....	1,314.57	.....	1,314.57	.72	c58.84	1.16	105.85
District of Columbia.....	29.75	.....	29.75	.02	1.18	49.59	1.15
Indian Territory.....	1,182.02	.....	1,182.02	.65	181.66	3.81	58.90
New Mexico.....	1,486.78	.....	1,486.78	.81	c.53	1.21	86.66
Oklahoma.....	433.57	.....	433.57	.24	51.18	1.12	62.53
United States, 1896.....	181,153.77	1,622.86	182,776.63	100.00	2,119.16	6.15	26.00

<sup>a</sup> On basis of 2,370,000 square miles, which covers "land surface" only, and excludes Alaska.

<sup>b</sup> On basis of 70,301,571 population, for 1896, which is reached by adding to the population of the United States in 1890, 901,571, an estimated annual increase of 1,250,000 for each successive year.

<sup>c</sup> Decrease.

tories, to wit, California, Colorado, Idaho, Montana, Nevada, Oregon, Utah, Washington, Wyoming, Arizona, and New Mexico, which cover all the rough and mountainous regions of the West, there were on June 30, 1896, but 24,197.19 miles of railroad. In these States and Territories there are many long stretches of almost level land over which the roads are constructed.

Table No. 2 shows that in the States situated east of the Rocky Mountains, on the great Western and Southern prairies and plains, there are more than 90,000 miles of railroad; and a careful examination of the table will show that about 130,000 miles of all the railroads in the United States are constructed in a comparatively level country, where the cost of grading the road-bed does not average to exceed \$2,800 per mile. There could be selected many thousands of miles of railroad on the Western plains and prairies on which the average cost of grading the road-bed would not exceed \$1,200 per mile.

The above facts should be borne in mind when the cost of construction is considered.

For the purpose of convenient reference and classification, the Interstate Commerce Commission has arranged the railroads in the United States into territorial divisions called "Groups," which are numbered from one to ten; Group I being in the extreme eastern portion, and Group X lying in the extreme western portion of the United States.

The groups or territorial divisions referred to are as follows:

*Group I.*—This group embraces the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut.

*Group II.*—This group embraces the States of New York, Pennsylvania, New Jersey, Delaware, and Maryland, exclusive of that portion of New York and Pennsylvania lying west of a line drawn from Buffalo to Pittsburg via Salamanca, and inclusive of that portion of West Virginia lying north of a line drawn from Parkersburg east to the boundary of Maryland.

*Group III.*—This group embraces the States of Ohio, Indiana, the southern peninsula of Michigan, and that portion of the States of New York and Pennsylvania lying west of a line drawn from Buffalo to Pittsburg via Salamanca.

*Group IV.*—This group embraces the States of Virginia, North Carolina, South Carolina, and that portion of the State of West Virginia lying south of a line drawn east from Parkersburg to the boundary of Maryland.

*Group V.*—This group embraces the States of Kentucky, Tennessee, Mississippi, Alabama, Georgia, Florida, and that portion of Louisiana east of the Mississippi River.

*Group VI.*—This group embraces the States of Illinois, Wisconsin, Iowa, Minnesota, the northern peninsula of the State of Michigan, and that portion of the States of North Dakota, South Dakota, and Missouri lying east of the Missouri River.

*Group VII.*—This group embraces the States of Montana, Wyoming, Nebraska, that portion of North Dakota and South Dakota lying west of the Missouri River, and that portion of the State of Colorado lying north of a line drawn east and west through Denver.

*Group VIII.*—This group embraces the States of Kansas, Arkansas, that portion of the State of Missouri lying south of the Missouri River, that portion of the State of Colorado lying south of a line drawn east and west through Denver, that portion of the State of Texas lying west of Oklahoma, and the Territories of Oklahoma, Indian Territory, and that portion of New Mexico lying northeast of Santa Fé.

*Group IX.*—This group embraces the State of Louisiana, exclusive of the portion lying east of the Mississippi River, the State of Texas, exclusive of that portion lying west of Oklahoma, and the portion of New Mexico lying southeast of Santa Fé.

*Group X.*—This group embraces the States of California, Nevada, Oregon, Idaho, Utah, Washington, the Territory of Arizona, and that portion of the Territory of New Mexico lying southwest of Santa Fé.

Table No. 3 gives the entire mileage of all tracks, including sidings and yard track as well as second, third, and fourth tracks, by groups. It will be seen that the total mileage of all tracks is 240,129.12 miles, and that of this amount 53,299.16 miles are in Group VI, which in single track has nearly twice as much mileage as any other group.

Table No. 4, the general balance sheet for the year ending June 30, 1896, is based upon a mileage of 173,860.12, or 8,916.51 miles less than the total mileage of single track as shown by Table No. 3. It will be seen by this report that the total liabilities of the 173,860.12 miles of road represented is \$11,615,740,145, an increase of \$151,291,560 over the total liabilities on June 30, 1895, which is \$71,392 per mile on the 2,119.16 miles of road constructed during the year as shown by Table No. 2. It will be seen in Table No. 4 that the corporations represented by the mileage therein own \$600,786,616 worth of stocks (principally railroad stocks) and \$368,820,203, worth of bonds.

In Table No. 5 will be found a summary of the length of railway lines, the capital stock, the funded and floating debts, and the pretended cost of construction per

# MILEAGE.

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**TABLE No. 3.**—SUMMARY OF RAILWAY MILEAGE, BY GROUPS, SHOWING LENGTH OF SINGLE TRACK, SECOND TRACK, THIRD TRACK, FOURTH TRACK, AND OF YARD TRACK AND SIDINGS, JUNE 30, 1896.  
[From the Statistical Report of the Interstate Commerce Commission.]

Territory covered.	Single track.	Second track.	Third track.	Fourth track.	Yard track and sidings.	Total mileage operated (all tracks).
	<i>Miles.</i>	<i>Miles.</i>	<i>Miles.</i>	<i>Miles.</i>	<i>Miles.</i>	<i>Miles.</i>
Group I.....	7,714.24	1,391.61	96.43	83.84	3,073.03	12,359.15
Group II.....	20,481.32	5,419.16	763.64	503.12	9,681.23	36,938.67
Group III.....	23,223.31	1,727.77	48.80	21.19	8,188.09	33,208.66
Group IV.....	10,955.31	129.88	.....	.....	1,760.04	12,845.23
Group V.....	20,157.92	84.63	.....	.....	3,218.49	23,461.04
Group VI.....	41,850.38	1,675.07	79.02	65.13	9,629.66	53,299.16
Group VII.....	10,505.93	20.51	.....	.....	1,616.67	12,143.11
Group VIII.....	22,491.77	125.38	.....	.87	3,885.48	26,506.06
Group IX.....	10,829.41	31.68	.....	.....	1,540.55	12,401.64
Group X.....	13,773.15	79.47	.....	.....	2,124.49	15,977.11
Total reporting, 1896.....	181,982.64	10,685.16	990.45	761.15	44,717.73	239,140.13
Not reporting.....	763.99	.....	.....	.....	195.00	968.99
United States, 1896.....	182,746.63	10,685.16	990.45	761.15	44,912.73	240,129.12

mile, from the year 1873 to the year 1896. The reader will notice that there is a difference as to the number of miles of road given for the year in this table and the number of miles given for the same year in Table No. 1. Table No. 1 contains the number of miles in operation at the end of the year named, while Table No. 5 gives the number of miles of which the statistician was able to secure detailed statements of the matters contained in the table; and the same remark applies to any other table in which the mileage given for any year differs from the mileage given for the same year in Table No. 1.

**TABLE No. 4.—GENERAL BALANCE SHEET FOR THE YEAR ENDING  
JUNE 30, 1896.**

*Showing increase and decrease as compared with June 30, 1895, 173,860.12 miles  
of line represented.*

[From the Report of the Interstate Commerce Commission.]

Item.	Amount.	Increase.	Decrease.
<b>ASSETS.</b>			
Cost of road.....	\$8,929,897,770	\$54,967,102	
Cost of equipment.....	570,429,963	12,775,242	
Stocks owned.....	600,786,616	23,971,455	
Bonds owned.....	368,820,203	14,145,566	
Cash and current assets.....	344,559,935	19,462,743	
Materials and supplies.....	68,744,042	8,072,654	
Sinking fund and sundries.....	<sup>1</sup> 130,468,729	5,773,630	
Miscellaneous.....	602,032,887	12,123,168	
<b>Total</b> .....	<b>11,615,740,145</b>	<b>151,291,560</b>	
<b>LIABILITIES.</b>			
Capital stock.....	5,094,565,549	40,828,210	
Funded debt.....	5,882,680,329	65,746,575	
Current liabilities.....	618,097,103	40,739,506	
Accrued interest on funded debt not yet payable.....	29,254,844	2,950,332	
Miscellaneous.....	880,929,540	5,615,425	
Profit and loss.....	115,212,780		\$4,588,488
<b>Total</b> .....	<b>11,615,740,145</b>	<b>151,291,560</b>	

<sup>1</sup> Sinking fund, \$80,113,795; sundries, \$50,354,934.

**TABLE No. 5.—LENGTH OF LINES, COST OF CONSTRUCTION, 1873 TO 1894.**  
 [From the Statistical Abstract of the United States, 1897.]

Year.	Length of lines.	Cost of Construction.				Total cost of construction per mile.
		Capital stock.	Funded debt.	Floating debt.	Total liabilities.	
	Miles.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.
1873.....	70,378	1,947,638,584	1,886,904,450	.....	63,784,543,034	683,881
1874.....	72,383	1,990,997,486	2,330,768,108	.....	64,231,763,594	698,325
1875.....	74,066	2,207,564,835	2,208,066,845	.....	64,415,031,030	699,503
1876.....	76,808	2,248,358,375	2,220,233,560	.....	64,468,391,035	698,179
1877.....	79,208	2,313,278,568	2,255,318,650	.....	64,806,202,022	690,078
1878.....	80,832	2,292,257,877	2,237,790,916	237,004,774	4,772,297,349	59,040
1879.....	84,393	2,365,647,293	2,319,480,172	183,248,556	4,872,017,517	57,730
1880.....	92,147	2,708,673,375	2,530,874,943	162,881,052	5,402,038,257	58,624
1881.....	103,530	3,177,375,179	2,875,423,005	222,796,297	6,278,565,052	60,645
1882.....	114,428	3,478,914,224	3,214,084,323	267,650,730	6,960,649,277	60,830
1883.....	120,519	3,675,793,383	3,479,411,914	297,834,906	7,423,040,203	61,592
1884.....	125,119	3,726,655,041	3,647,312,772	244,018,597	7,423,040,203	60,886
1885.....	127,639	3,778,600,737	3,740,255,005	256,963,391	7,775,858,194	60,897
1886.....	133,565	3,956,377,498	3,833,748,330	279,142,613	8,089,298,441	60,504
1887.....	147,953	4,146,958,214	4,155,628,116	292,455,121	8,595,041,451	58,063
1888.....	154,222	4,392,287,224	4,585,471,523	304,155,858	9,281,914,005	60,185
1889.....	159,934	4,447,103,000	4,784,173,271	345,692,963	9,576,939,854	59,881
1890.....	163,359	4,590,471,560	5,055,225,025	375,228,630	10,020,925,215	61,343
1891.....	167,846	4,751,750,498	5,180,227,024	345,051,807	10,277,029,329	61,229
1892.....	171,805	4,863,119,073	5,406,955,004	295,212,887	10,555,296,964	61,496
1893.....	175,442	5,021,576,551	5,510,225,528	400,909,043	10,941,711,122	62,367
1894.....	178,054	5,027,604,717	5,695,775,764	382,927,834	11,016,308,315	61,871
1895.....	179,821	5,182,121,999	5,640,942,567	418,505,092	11,241,569,658	62,615
1896.....	178,549	5,390,730,567	5,416,074,969	339,502,302	11,046,307,588	61,897

<sup>a</sup> Total capital stock and funded debt.

<sup>b</sup> These figures show total stocks and bonds per mile.



## CHAPTER 2.

Prices of pig iron, bar iron, iron and steel rails, from 1852 to 1896.—

Number of tons of rails used per mile of road according to weight per yard.—Average weight of rail used from 1858 to 1898.—Length of time steel rail will last.—Prices of locomotives and cars from 1865 to 1897.—Price of labor from 1840 to 1891.—Bonds and stocks issued per mile of road from 1850 to 1896.—Increase of stocks and bonds and decrease of cost of construction per mile.

Table No. 6 gives the prices of pig iron, best refined bar iron, iron and steel rails, from the year 1852 to the year 1897. The reader will notice that the prices given in this table, while somewhat fluctuating during the nine years, were about the same in 1861 that they were in 1852, and cannot be classed with the high prices that prevailed during the Civil War and for a few years following the close of that memorable period. He will also observe that the great rise in prices of the different kinds of iron, caused by the Civil War, began in 1862, and that in 1864 prices reached their highest point, when pig iron sold for \$59.25, bar iron for \$146.46, and iron rails for \$126 per ton. That from 1864 there was a gradual decline in the prices, though with occasional short rallies, until 1896, when pig iron was quoted at \$12.95 and bar iron at \$31.36 per ton. That the last quotation on iron rails was in 1882, at which time they are quoted at \$45.50 per ton. It appears by Table No. 6 that steel rails were first manufactured in commercial quantities in 1867, and are then

quoted at \$166 per ton, and that in 1896 their price had declined to \$28 per ton.

Pig iron, bar iron, and steel enter largely into the construction and equipment of railroads. The millions of car wheels and other castings that are used in and about the construction of rolling stock, bridges and buildings, and the manufacture of bar iron and steel, annually require millions of tons of pig iron in their manufacture. A vast amount of bar iron is used each year in the construction of engines, cars, bridges and buildings. Millions of tons of steel are used every year in the construction of engines, cars, bridges, buildings, tools, and tracks. In the construction and equipment of a railroad through a level country, where there is but little earth or rock required to be moved in grading the road-bed, the principal items of cost are labor, iron and steel used in the track, bridges, buildings, and rolling stock. Tons, when applied to pig iron, bar iron, and iron or steel rails, or structural iron or steel, are understood to be long tons of 2240 pounds each. Since the first construction of railroads in the United States there has been a gradual and constant increase in the weight of the rolling stock and rails used. The weight of rails is designated by the number of pounds per lineal yard of rail. In 1858 the average weight of rail used was about 45 pounds per yard, or  $70\frac{5}{7}$  tons per mile. From 1858 to 1868 the average weight of rail used was about 50 pounds per yard, or  $78\frac{1}{4}$  tons per mile. From 1868 to 1878 the average weight of rail used was about 56

pounds per yard, or 88 tons per mile. From 1878 to 1888 the average weight of rail used was about 60 pounds per yard, or  $94\frac{2}{3}$  tons per mile; and from 1888 to 1898 the average weight of rail used was about 65 pounds, or  $102\frac{1}{3}$  tons per mile. The above figures are averages of all the roads. Some of the narrow-gauge roads have 25-pound rails, while some of the Eastern trunk lines have 100-pound rails. There is at present a general tendency towards a further increase in the weight of rails and rolling stock, but it is thought by some of the best civil engineers in the country, that a properly shaped and constructed 80-pound steel rail is heavy enough for any rolling stock that can be used to advantage on the trunk lines. The average life of a steel rail, or the length of time it will last, is said to be about twenty years; on short curves they do not last that long, while on straight lines they will last thirty years.

Table No. 7, furnished by Burnham, Williams & Co. of the Baldwin Locomotive Works, gives the prices of locomotives during the years 1865 to 1870; also for the years 1879 and 1880, and the prices in 1897. It will be seen by this table that locomotives of same types and of same size cylinders but with increased weight were 46+ per cent. cheaper in 1870 than in 1865, and that locomotives of same types and same size cylinders but with from 10 per cent. to 25 per cent. increase in weight were 58+ per cent. cheaper in 1897 than in 1865.

**TABLE No. 6.—PRICES OF PIG IRON, ROLLED BAR IRON, IRON AND STEEL RAILS, STEEL BILLETS, PER TON, FROM 1852 TO 1897.**  
[From the Statistical Abstract of the United States.]

Calendar year.	PIG IRON.				BAR IRON ROLLED.		Steel billets. <i>b</i>	RAILS. <i>d</i>	
	No. 1 foundry. <i>a</i>	Gray forge. <i>a</i>	Gray forge lake ore. <i>b</i>	Bessemer. <i>b</i>	Best refined. <i>c</i>	Best refined. <i>b</i>		Iron standard sections.	Steel standard sections.
1852..	\$22 68	.....	.....	.....	\$38 79	.....	.....	\$48 38	(First made in commercial quantities in the United States in 1867.)
1853..	36 12	.....	.....	.....	83 50	.....	.....	77 25	
1854..	36 88	.....	.....	.....	91 33	.....	.....	80 13	
1855..	27 75	.....	.....	.....	74 58	.....	.....	62 88	
1856..	27 12	.....	.....	.....	73 75	.....	.....	64 38	
1857..	26 38	.....	.....	.....	71 04	.....	.....	64 25	
1858..	22 25	.....	.....	.....	62 29	.....	.....	50 00	
1859..	23 38	.....	.....	.....	60 00	.....	.....	49 38	
1860..	22 75	.....	.....	.....	58 75	.....	.....	48 00	
1861..	20 25	.....	.....	.....	60 83	.....	.....	42 38	
1862..	23 68	.....	.....	.....	70 42	.....	.....	41 75	
1863..	35 25	.....	.....	.....	91 04	.....	.....	76 88	
1864..	59 25	.....	.....	.....	146 46	.....	.....	126 00	
1865..	46 12	.....	.....	.....	106 38	.....	.....	98 63	
1866..	46 88	.....	.....	.....	98 13	.....	.....	56 75	
1867..	44 12	.....	.....	.....	87 08	.....	.....	83 13	
1868..	39 25	.....	.....	.....	85 63	.....	.....	78 88	
1869..	40 63	.....	.....	.....	81 66	.....	.....	77 25	
1870..	33 25	.....	.....	.....	78 96	.....	.....	72 25	
1871..	35 12	.....	.....	.....	78 54	.....	.....	70 38	
1872..	48 88	.....	.....	.....	97 63	.....	.....	85 13	
1873..	42 75	.....	\$35 80	.....	86 43	.....	.....	76 67	120 50
1874..	30 25	.....	27 16	.....	67 96	.....	.....	58 75	94 25
1875..	25 50	.....	23 67	.....	60 85	.....	.....	47 75	68 75
1876..	22 25	.....	21 74	.....	52 08	.....	.....	41 25	59 25
1877..	18 88	.....	20 60	.....	45 55	.....	.....	35 25	45 50
1878..	17 63	.....	18 09	.....	44 24	.....	.....	33 75	42 25
1879..	21 50	.....	22 15	.....	51 85	.....	.....	41 25	48 25
1880..	23 50	.....	27 96	.....	60 38	.....	.....	49 25	67 50
1881..	25 12	.....	22 94	.....	58 05	.....	.....	47 13	61 13
1882..	25 75	\$22 60	23 84	.....	61 41	\$54 51	.....	45 50	48 50
1883..	22 38	19 33	19 04	.....	50 30	44 24	.....	.....	37 75
1884..	19 88	17 71	17 17	.....	44 05	38 45	.....	.....	30 75
1885..	18 00	15 58	15 27	.....	40 32	36 59	.....	.....	28 50
1886..	18 71	16 40	16 58	\$18 96	43 12	38 08	\$31 75	.....	34 50
1887..	20 92	17 79	19 02	21 37	49 37	43 59	32 55	.....	37 08
1888..	18 88	16 21	15 99	17 38	44 99	39 67	28 78	.....	29 83
1889..	17 75	15 48	15 37	18 00	43 40	38 30	29 45	.....	29 25
1890..	18 40	15 82	15 78	18 85	45 92	41 25	30 32	.....	31 75
1891..	17 52	14 52	14 06	15 95	42 56	38 38	25 32	.....	29 92
1892..	15 75	13 54	12 81	14 37	41 81	36 79	23 63	.....	30 00
1893..	14 52	12 73	11 77	12 87	38 08	33 53	20 44	.....	28 12
1894..	12 66	10 73	9 75	11 38	29 96	26 86	16 58	.....	24 00
1895..	13 10	11 49	10 94	12 72	32 29	28 09	18 48	.....	24 33
1896..	12 95	11 09	10 39	12 14	31 36	27 22	18 83	.....	28 00
1897..	12 10	10 48	9 03	10 13	29 40	24 73	15 08	.....	19 58

*a* At Philadelphia. *b* At Pittsburg. *c* From store at Philadelphia. *d* At mills in Pennsylvania. *e* Wholesale base prices at store, Philadelphia. *f* Base prices from factory. *g* *h* *c* Chicago, in carload lots. *g* Superseded by the manufacture of steel rails.

**TABLE No. 7.**—PRICES OF LOCOMOTIVE ENGINES DURING THE YEARS 1865, 1866, 1867, 1868, 1869, 1870, 1879, 1880, and 1897.

[Furnished by the Baldwin Locomotive Works.]

Year.	Weight, tons.	No. of Wheels.	Service.	Cylinders.	Price.
1865....	20½	8	Passenger.	13 x 24	From \$15,635 to \$24,150
".....	21½	8	"	14 x 24	" 18,020 to 25,305
".....	21½	8	"	15 x 24	" 17,380 to 24,910
".....	27½	8	"	16 x 24	" 18,020 to 26,775
".....	28	10	Freight.	18 x 24	" 24,623 to 34,850
1866....	20½	8	Passenger.	13 x 24	" 13,000 to 16,560
".....	21½	8	"	14 x 24	" 14,700 to 15,500
".....	27½	8	"	16 x 24	" 16,275 to 19,610
".....	28	10	"	18 x 24	" 15,983 to 23,320
".....	34	Consol.	Freight.	20 x 24	" 19,950 to 23,000
1867....	20½	8	Passenger	13 x 24	Approximately, 14,500
".....	21½	8	"	14 x 24	From \$12,600 to 16,250
".....	27½	8	"	16 x 24	" 13,650 to 16,525
".....	28	10	"	18 x 24	" 15,225 to 16,538
".....	34	Consol.	"	20 x 24	Approximately, 18,000
1868....	20½	8	Passenger.	13 x 24	From \$10,000 to 11,000
".....	21½	8	"	14 x 24	" 10,500 to 12,600
".....	27½	8	"	16 x 24	" 11,000 to 13,650
".....	28	10	"	18 x 24	" 12,750 to 15,525
".....	34	Consol.	"	20 x 24	" 14,500 to 15,500
1869....	20½	8	Passenger.	13 x 24	Approximately, 12,350
".....	21½	8	"	14 x 24	From \$11,000 to 13,000
".....	27½	8	"	16 x 24	" 12,500 to 13,250
".....	29	10	"	18 x 24	" 13,750 to 15,500
".....	34	Consol.	"	20 x 24	" 15,500 to 16,250
1870....	20½	8	Passenger.	13 x 24	" 10,500 to 11,500
".....	22½	8	"	14 x 24	" 11,250 to 12,500
".....	27½	8	"	16 x 24	" 10,600 to 13,250
".....	29½	10	"	18 x 24	" 14,250 to 15,500
1879....	.....	8	.....	13 x 24	" 6,500 to 7,000
1880....	.....	8	.....	14 x 24	" 7,000 to 7,500
".....	.....	8	.....	16 x 24	" 8,000 to 8,500
".....	.....	10	.....	18 x 24	" 9,000 to 9,750
".....	.....	Consol.	.....	20 x 24	" 10,000 to 11,250

Present prices (1897) of locomotives of same types, same sized cylinders, but with an increase of frame 10 per cent. to 25 per cent. in weight, are as follows:

1897....	.....	8	.....	13 x 24	\$6,250
".....	.....	8	.....	14 x 24	6,500
".....	.....	8	.....	16 x 24	7,100
".....	.....	10	.....	18 x 24	8,450
".....	.....	Consol.	.....	20 x 24	9,500
".....	.....	4	Switching.	14 x 24	5,200
".....	.....	6	"	15 x 24	5,950

BURNHAM, WILLIAMS &amp; Co.

Table No. 8, furnished by Mr. A. J. Pitkin, of the Schenectady Locomotive Works, shows that the locomotives manufactured by that company were about 57 per cent. cheaper in 1897 than the same class of engines

were in 1866. Mr. Pitkin's remarks which are quoted in Table No. 8 show that the high prices of locomotives in 1866 were caused by the high prices of materials (principally iron and steel) which ruled in 1866, and that with the fall in the prices of the raw materials the price of the finished product declined. The average life of a locomotive is about sixteen years, and depends largely upon the purity of the water used in the boiler. The average life of a freight car is about the same, while well-built passenger cars last somewhat longer.

TABLE No. 8.

COMPARISON OF PRICES ON SAME CLASS OF ENGINES IN 1866 AND IN 1897.  
[Furnished by the Schenectady Locomotive Works.]

No. of wheels.	Cylinders.	Price 1866.	Price 1897.
8	13 x 22	\$13,000	\$6,000
8	15 x 22	16,000	6,500
8	16 x 24	17,500	7,100
10	17 x 24	20,000	8,100

These cover the different classes of engines which we find we built during the year 1866. You of course appreciate that the cost of material was as high in proportion to the price charged for locomotives in 1866, as at the present time.

A. J. PITKIN, *Vice-Pres. and Gen'l Mgr.*

PRICES OF CARS DURING THE YEARS 1865 AND 1870.

[Furnished by the Barney & Smith Car Company.]

	1865.	1870.
Passenger Cars.....	\$5,000	\$5,500
Parlor Cars.....		12,000
Sleeping Cars.....	10,500	9,000
Baggage and Express Cars.....	3,750	2,300
Box Cars.....	1,250	860
Flat Cars.....	1,000	650
Stock Cars.....	1,200	850
Coal Cars.....	900	850

PRICES OF CARS IN 1897 AT CHICAGO, ILLINOIS.

[Furnished by the Wells & French Company, car builders.]

Box Cars.....	\$500 to	\$550 each.
Stock Cars.....	500 to	550 each.
Coal Cars.....	450 to	500 each.
Flat Cars.....	400 to	450 each.
Tank Cars.....	600 to	700 each.
Refrigerator Cars.....	800 to	1,000 each.

The compensation of the laborer reached its highest point in the United States in the year 1873. In his report on "Wholesale Prices, Wages and Transportation in the United States," made on March 3, 1893, Senator Aldrich, of the Senate Committee on Finance, says: "If we average all quotations, giving to each equal weight in the result, we find that wages stood at 160.7 in 1891 as compared with 1860, while in 1840 they stood at 87.7 as compared with the same year (1860).

All industries, 1840.....	87.7	Railroads, 1840.....	89.5
" 1860.....	100.	" 1860.....	100.
" 1873.....	167.1	" 1873.....	165.3
" 1891.....	160.7	" 1891.....	146.4."

(Senate Report No. 1394, Finance Committee, 2d Session 52d Congress, 1893.)

Mulhall, one of the most accurate of statisticians, in giving statistics of the railroads in the United States, says: "In 1850 there were 9,020 miles of railroad completed and equipped, at an average cost as represented by stocks and bonds, of \$33,000 per mile. In 1860 there were 30,640 miles of road, on which the total amount of stocks and bonds amounted to \$39,000 per mile, and that in 1871 there were 60,520 miles, with an average of \$46,500 stocks and bonds per mile." (See Statistics by Mulhall, page 507.)

Table No. 5, taken from the "Statistical Abstract of the United States," published under the direction of the Secretary of the Treasury, gives the cost of railroads in the United States in the year 1873 at \$53,851 per mile for the 70,278 miles of road then in operation. This

estimate, it appears, is based on the total liabilities alleged to have been incurred in constructing and equipping the roads, which liabilities, it is claimed, are represented by the capital stock, funded debt, and floating debt, as shown in Table No. 5.

The cost of the construction and equipment of a railroad depends entirely upon the amount of work required in grading the road-bed, bridging watercourses, erecting the necessary buildings, the cost of acquiring the right-of-way and lands for terminal and other purposes, the cost of rolling stock, the price of labor and materials, and the cost of engineering and superintendence. If the cost of each of the above items of expense increases year by year, the cost of constructing and equipping railroads would also necessarily increase in proportion thereto. If the cost of the different items of expense in constructing and equipping railroads decreases year by year, the average cost per mile for constructing and equipping railroads should also decrease in the same proportion,—the truth of which proposition, no honest, sane man will deny. Railroad officials have been quick to take advantage of rising prices of labor and materials, in fixing the average cost per mile of their roads. If in 1860 the average cost of all the railroads in the United States was \$39,000 per mile, and in 1871, after the period of high prices in railroad materials, caused by the Civil War, had passed, the average cost of all the roads was \$46,500 per mile, would it not be reasonable to suppose that if the cost of materials, labor and rolling



stock continued to decline, that the highest average cost per mile for construction and equipment of roads had passed, and that the average cost per mile for construction and equipment would thereafter also decline?

Let us inquire whether in this case the price of the finished product was governed by the cost of its production? There were 40,007 miles of railroad constructed during the ten years following the year 1866 and ending with the year 1876, making a total of 76,808 miles of railroad in the United States at that date, represented in Table No. 5, by which it appears that the pretended total cost of construction per mile had advanced to \$58,179 in 1876, an increase of \$11,679 per mile, over the cost of construction in 1871 as given by Mulhall; and as will be seen by Table No. 5 this increase in cost per mile was not confined to the road constructed during these ten years, but applied to every mile of road represented in Table No. 5, and was in five years an increase of 25 + per cent. in the cost of construction. The average price of pig iron per ton from 1866 to the end of 1876 was \$36.20, of bar iron \$77.68, of iron rails \$69.14, and of steel rails \$112.07, showing a decline in prices when compared with the average prices of same for the five years ending with 1866, of 14 + per cent. in pig iron, 23 + per cent. in bar iron, 19 + per cent. in iron rails, and 32 + per cent. in steel rails; and as will be seen by Table No. 7, there was during this period a decrease of 26 + per cent. in the cost of locomotives, and as this decrease in the cost of locomotives

covers but four years from 1866 to 1870, there was probably a much greater decrease before the end of 1876. This shows an average decrease of 22+ per cent. in the price of materials and supplies and an increase of 25+ per cent. in the cost of construction, and this with the price of labor also decreasing.

During the ten years from the end of 1876 to the end of 1886, 56,757 miles of road were constructed, making a total of 133,565 miles represented in Table No. 5. The alleged average cost of construction per mile at the end of this period was \$60,564, an increase over the average cost of construction in 1876 of \$2,385 per mile, or 4+ per cent., and an increase over the cost of construction in 1871 of \$14,064 per mile, or 30+ per cent. From 1876 to 1886 the average price per ton of pig iron was \$21.63; of bar iron \$49.92, of iron rails \$42.02, and of steel rails \$44.46. This being a decline when compared with the average prices of same for the five years ending with 1866 of 48+ per cent. in pig iron, 51+ per cent. in bar iron, 51+ per cent. in iron rails, and 73+ per cent. in steel rails.

During the ten years following the year 1886 and ending with the year 1896, there were 44,984 miles of road constructed, that are represented in Table No. 5. In 1896 the average cost of construction is alleged to have been \$61,867 per mile, being an increase of \$15,367, or 33+ per cent. over the cost of construction in 1871, which applies not only to the road constructed since 1871, but to every mile of the 178,549 miles of

road represented in Table No. 5, which leaves 4,227 miles unaccounted for, there being in the United States at the end of June, 1896, 182,776 miles of main line of railroad, as appears in Table No. 3. For the ten years following the year 1886 and ending with the year 1896 the average price per ton of pig iron was \$16.24, of bar iron \$39.97, and of steel rails \$29.22, being a decrease in prices when compared with the average prices of same for the five years ending with the year 1866, of 61+ per cent. in pig iron, 60+ per cent. in bar iron, and 82+ per cent. in steel rails. The United States Statistics do not give the average cost of cross-ties, as of iron and steel. There are several kinds of timber used for ties, among which may be mentioned, pine, fir, cedar, oak, and redwood, the prices of which vary according to locality, and are about the same now as in 1871, and average about 50 cents each. From the point of highest prices, reached in 1864, when pig iron is quoted at \$59.25 per ton, bar iron at \$146.46 per ton, and iron rails at \$126 per ton, there has been a gradual decline interrupted by spasmodic rallies in the price, down to the year 1896, of 78+ per cent. or \$46.30 per ton in pig iron, 78+ per cent. or \$115.10 per ton in bar iron; and to the year 1882, 63+ per cent. or \$80.50 per ton in iron rails; while the decline in the price of steel rails from the year 1867 to the year 1896 was 83+ per cent. or \$138 per ton.

It will be seen in Table No. 7, that in locomotives of same types and same size cylinders, the decline in price

from 1865 to 1897 was 69 + per cent. The average price in 1865 of the types of locomotives given in Table No. 7, to wit, those having cylinders 13x24, 14x24, 16x24 and 18x24, was \$22,922 each; while, as shown in Table No. 7, the average price of the same types, same size cylinders, but with from 10 to 25 per cent. increase in weight, was \$7,075,—a decline in price of \$15,847 per locomotive.

It has been seen by Senate Report No. 1394, that wages of laborers on railroads declined from 165.3 in 1873, to 146.4 in 1891, a reduction of 11 + per cent.

Mulhall's statistics as to cost per mile for construction of railroads are based upon the face value of stocks and bonds issued per mile of railroad; and the reader's attention is called to the fact that in 1871, when the average cost of construction was alleged to be \$46,500 per mile, the Union and Central Pacific roads had been completed and in operation for two years, and the "Credit Mobilier" had finished its enterprising labors, and the Contract and Finance Company had divided its profits. The Union and Central Pacific roads constituted the only transcontinental line in operation in 1871, and there is no doubt but that the actual cost per mile was much greater in the construction of these two roads than in the construction of any of the other four lines that have since crossed the continent in United States territory. The construction of a railroad across a mountain range is unavoidably much more expensive than is the construction of a line in a valley, or across prairies

or plains, but the construction of a road from tide-water to the summit of a mountain pass of an elevation of 11,000 feet does not necessarily cost two or three times as much per mile as a road in a valley or across a plain costs. Steep grades have more effect on the cost of operation than of construction.

The actual necessary cost of a railroad is known only by those who were the officials of the road when it was constructed, and can be known by the public only after careful, accurate measurements and computations on every part of every mile of each road by honest, skillful civil engineers. There has been exposed so much fraud and corruption in connection with contracts for the construction of roads, as in the cases of the Union Pacific and Central Pacific roads, that the books of the companies if open to public inspection would afford no reliable data as to the actual necessary cost of the road. Stocks and bonds having a face value of thousands of millions of dollars have been placed upon the market and sold for a small per cent. of that face value by railroad officials, who now claim the right to earn dividends and interest thereon by the collection of exorbitant fares and freights from the public. Several thousands of millions of dollars have necessarily been expended in the construction and equipment of railroads in the United States, upon which the investors in railroad bonds representing this expenditure are entitled to a reasonable interest, but the oft-repeated allegation, that more than one-half of the alleged cost of railroads, as

set forth in Table No. 5, is fictitious and fraudulent, and never at any time represented any item of actual cost, is true; and this truth is capable of actual positive proof. It cannot be disputed that the average cost per mile of railroads constructed before the year 1894, was greater than the cost of roads built during that year, nor that the average cost per mile increases as we go back towards the high prices of 1864.

### CHAPTER 3.

Valuation of railroads.—Texas the only State that has put a proper valuation on the roads.—Report of the Texas Railroad Commission.—Railroads in Texas valued at cost of reproduction or duplication.—Average value per mile of all roads in Texas.—Valuation of the Galveston, Harrisburg & San Antonio Railroad, and length of bridges and trestles on the line.—Approximate average estimate of cost of one mile of railroad in the United States.—Approximate total value of all railroads in the United States.

In order to arrive at a fair proximate average estimate of the cost of railroads at any time since 1852, it is first necessary to ascertain the average cost per mile at the present time, say in 1896; and this has been done in a most thorough and accurate manner by the Railroad Commission of the State of Texas, pursuant to the requirements of a law enacted by the Legislature of that State in the year 1893. Texas appears to be the only State that up this time has attempted to ascertain by "due process of law" the just valuation of the railroads within its jurisdiction. I here take the liberty of quoting at considerable length from the reports of the Railroad Commission of that State:

"During the past year the work of valuing the property and franchises of the railroads of the State has been pushed with vigor. At this writing our experts have completed 5,888.65 miles, of an estimated value of \$93,785,159.73, or an average rate per mile of \$15,926.23. This work has been conducted with much care

and detail, and the valuations on file deal with each mile and every item of construction of each mile, as actually checked on the ground.

“The prices adopted for the various classes of work have not been the lowest contract prices exhibited by current construction records, but such figures as would insure reasonable profits to constructors, and yet not repel the *bona fide* investor by fear of inadequate returns from the expenditures necessary.

“The following table gives the totals of these valuations for the several roads completed, and elsewhere will be found itemized summaries of the values of each individual line, exhibiting the totals of the various classes of property, their rate per mile, and the percentage which each bears to the whole sum.

“The basis of the valuation made by the Commission has been the present cost of reproducing the physical properties of the roads in question. It should be stated that the average value of the mileage will be reduced in the valuations of the coming year, for the reason that it is probable that during 1895 rails will at least remain at their present figures of about \$22 to \$23 per ton at eastern tide-water and Chicago.”

(Third Annual Report Railroad Commission of Texas for the year 1894, pp. viii and ix.)

In its annual report for the year 1895 the Texas Railroad Commission says:

“The act of the Legislature of the 8th of April, 1893, entitled ‘An act to define the franchises, to make pub-



lic the value of railroads,' etc., makes it the duty of this Commission, among other things, 'to ascertain and in writing report to the Secretary of State, the value of each railroad in this State, including all its franchises, appurtenances and property.'

"In obedience to the requirements of that act, we have ascertained the value of forty-seven of the railroads of the State, of which number twenty-six have been valued since the making of our last annual report. The whole forty-seven roads represent in the aggregate a mileage of 8,859.87 miles and a total value of \$140,376,122.43, which gives an average per mile of \$15,844.04. The capitalized value of forty-two of the forty-seven roads above referred to in stock and bonds, amounts to \$367,677,044, showing that these forty-two roads represent a valuation in stock and bonds of \$227,300,922 more than the value of the forty-seven roads as ascertained by the Commission; and it is proper to say that of the roads valued by this Commission, the valuation of no one of them has been contested by the railroad companies. It is proper, also, for us to state that, as shown by the books of the office of the State Comptroller, the forty-seven railroads above referred to, except 498.8 miles of the International & Great Northern, which is exempt from taxation, and the El Paso Northern, 10.08 miles in length, which does not appear on the assessment rolls, were assessed for taxation at the aggregate value of \$68,560,730; being \$71,815,392 less than the value fixed on them by this Commission.

"In addition to the valuation of existing lines, the general condition of the several properties, physical and otherwise, has been carefully examined. These roads of necessity exhibit a wide difference of excellence in the three points of location, construction, and maintenance. This fact is best expressed by reference to the character of the rail and grade.

"In the case of the rail, there exist on the different lines all the gradations of weight and condition between a worn-out section of 30 pounds to the yard, and a new one of 70 pounds.

"In the matter of grades, the variation extends from a maximum of 0.6 to one of 2.50. The differences in bridging and ballast are scarcely less marked, and the items of buildings, equipment, and terminals are further considerations which enter into the differing values exhibited in the tables of valuations. In the course of this inspection, much exceedingly good track has been noted, and some that compare well in surface, ballast, and alignment with any in the country."

(Report of Railroad Commission of Texas for 1895, pp. 30, 31, and 32.)

In its report for the year 1896 the Texas Commission says:

"Fifty-one railroads, representing an aggregate mileage of 9,057.91 miles of main line and a total value of \$142,490,117.01, or an average value of \$15,731.01 per mile, have now been valued by the Commission. These roads are stocked and bonded in the aggregate sum of

\$374,792,669, or \$41,377 per mile. These roads, as appears from the books of the Comptroller of Public Accounts, are assessed for taxation at \$69,530,407, or an average of \$7,677.32 per mile."

(Report of the Railroad Commission of Texas for 1896, p. 24.)

In Table No. 9 (Exhibit No. 26 of the Report of the Railroad Commission of Texas for 1896) it appears that the average value per mile in some instances is much greater on roads of one, or a few miles in length, than on roads having a greater mileage; as, for instance, in the case of the Texas-Mexican (formerly the Mexican National) Railway. This is because there is but one mile of that road on the American side of the Rio Grande river, and on that one mile are located the machine shops, machinery, tools, round-house, and a large amount of materials and supplies for that part of the road that is operated on the Mexican side of the river. Similar reasons account for the high valuation per mile on some of the other roads that have short terminal lines in Texas.

In order that the reader may fully understand the manner in which the Railroad Commission of Texas arrived at the actual value of the several railroads in that State, a statement in detail of the valuation of the Galveston, Harrisburg & San Antonio Railroad is given in Table No. 10, which is copied from the report of the Commission for the year 1894, pp. 80 and 81. As will be seen in this statement, the road has a total mileage of 919.06 miles, 836.41 miles of

**TABLE No. 9.—SUMMARY OF THE VALUATIONS OF THE RAILROADS OF TEXAS, MADE BY THE RAILROAD COMMISSION TO NOVEMBER 30, 1896.**

[Exhibit No. 26.—Report of the Railroad Commission of Texas, 1896.]

Name of Railroad.	Mileage.	Aggregate valuation.	Average value per mile.
Austin and Northwestern.....	105.96	\$1,753,694 22	\$16,550 53
Central Texas and Northwestern.....	12.38	212,110 50	17,161 04
Chicago, Rock Island and Texas.....	92.00	1,833,202 12	19,926 11
De Kalb and Red River.....	11.00	47,375 49	4,306 86
Denison and Washita Valley.....	6.39	245,320 22	38,391 28
El Paso Northern.....	10.08	75,088 59	7,444 30
Fort Worth and Denver City.....	454.13	5,771,582 42	12,709 09
Fort Worth and New Orleans.....	41.65	573,066 66	13,759 58
Fort Worth and Rio Grande.....	143.10	2,003,839 32	14,003 07
Galveston, Harrisburg and San Antonio.....	919.06	16,142,297 45	17,563 92
Galveston, Houston and Henderson.....	48.85	1,527,023 07	31,259 42
Gulf, Beaumont and Kansas City.....	57.62	567,495 95	9,848 94
Gulf, Colorado and Santa Fe.....	937.74	16,405,718 48	17,129 61
Gulf, Western Texas and Pacific.....	109.67	1,318,081 80	12,018 62
Hearne and Brazos Valley.....	16.42	106,623 75	6,493 53
Houston and Texas Central.....	452.60	9,588,903 28	21,186 26
Houston, East and West Texas.....	190.69	2,042,692 36	10,712 11
International and Great Northern.....	771.16	13,942,568 62	18,080 00
Louisiana Western Extension.....	6.81	109,551 18	16,086 81
Missouri, Kansas and Texas of Texas.....	837.91	13,437,440 80	16,036 85
New York, Texas and Mexican.....	91.52	1,093,459 16	12,053 12
Panhandle.....	14.54	100,077 83	6,882 93
Paris and Great Northern.....	16.18	288,718 32	17,844 15
Pecos River.....	54.13	392,040 65	7,249 30
Rio Grande.....	22.17	310,551 00	14,007 71
Rio Grande and Eagle Pass.....	26.89	234,695 11	8,727 96
Rio Grande and El Paso.....	20.15	481,824 33	23,911 88
Rio Grande Northern.....	26.25	401,086 04	15,277 56
Sabine and East Texas.....	102.03	896,565 73	8,787 27
St. Louis Southwestern of Texas.....	551.78	8,862,293 18	16,061 28
San Antonio and Aransas Pass.....	687.67	8,677,698 37	12,618 98
Sherman, Shreveport and Southern.....	153.04	1,609,046 80	10,724 12
Southern Kansas of Texas.....	100.41	1,080,593 75	10,861 41
Sugar Land.....	14.12	109,415 22	7,748 95
Texarkana and Ft. Smith (N. of Texark.).....	9.96	198,793 28	.....
Texas and New Orleans.....	105.45	3,619,665 89	34,326 18
Texas and Pacific.....	1,039.33	17,730,689 31	17,059 73
Texas and Sabine Valley.....	2.00	17,045 43	8,522 72
Texas Central.....	175.95	2,348,666 47	13,348 49
Texas, Louisiana and Eastern.....	29.60	234,027 23	7,906 33
Texas-Mexican, Corpus Christi to Laredo, Laredo to Rio Grande river, formerly Mexican National.....	160.65	1,174,403 90	7,310 32
.....	1.00	276,510 00	276,510 00
Texas-Mexican Northern.....	.75	6,724 42	8,965 87
Texas Midland, Terrell to Ennis only.....	74.89	940,910 07	12,563 89
Texas, Sabine Valley and Northwestern.....	36.41	381,802 97	10,486 21
Texas Transportation.....	7.90	154,951 16	19,614 07
Texas Trunk.....	50.58	472,602 50	9,343 66
Tyler Southeastern.....	88.60	914,748 98	10,324 48
Velasco Terminal.....	20.00	227,527 13	11,376 35
Waco and Northwestern.....	54.40	714,728 40	13,138 39
Weatherford, Mineral Wells and N. W.....	23.00	327,495 84	14,238 95
Wichita Valley.....	51.36	486,768 26	9,477 57
<b>Totals.....</b>	<b>9,037.91</b>	<b>\$142,490,117 01</b>	<b>\$15,781 01</b>

TABLE NO. 10.—GALVESTON, HARRISBURG &amp; SAN ANTONIO RAILWAY.

[From the Report of the Railroad Commission of Texas for 1894.]

Items.	Value.	Total.	Value per mile.	Per cent.
Right-of-way depot grounds and other real estate occupied for railroad purposes.....	\$542,931 00			
Right-of-way city streets (estimated at value of adjacent property).....	55,450 00	\$598,381 00	\$651 08	3.7
<b>GRAVATION:</b>				
Clearing and grubbing.....	54,512 25			
Earth excavation.....	254,987 64			
Gravel excavation.....	32,470 06			
Loose rock excavation.....	123,653 50			
Solid rock excavation.....	513,054 00			
Hauled embankment.....	74,777 07			
Earth embankment.....	779,621 54			
Gravel embankment.....	24,528 96			
Loose rock embankment.....	55,507 84			
Riprap and revetment.....	12,465 30			
Grading yards (exclusive of tracks).....	17,600 00	1,943,251 16	2,114 39	12.0
<b>PAVING:</b>				
Coffer dams, grillage, and pile foundations.....	69,801 62			
Concrete masonry (foundations and piers).....	46,899 50			
Brick masonry (foundations and piers).....	23,512 10			
Bridge masonry (foundations and piers).....	240,451 43			
Steel trestles (columns) except the Pecos viaduct.....	10,089 50			
Culvert masonry.....	58,579 40			
Slope walls.....	2,986 50			
Iron and steel truss spans.....	617,853 25			
Plate girders.....	69,082 40			
Steel "I" beams.....	15,925 22			
Combination trusses.....	42,410 00			
Wooden trusses.....	23,840 00			
Earthenware and iron pipe drains.....	10,852 78			
Wooden box drains.....	18,016 89			
<b>Total.....</b>			919.06 miles.	

836.41 miles.

7.70 miles.

28.35 miles.

12.25 miles.

34.35 miles.

Trestle bridges and piling.....	764,127 52	2,019,386 96	2,197 23	12.5
Pecos viaduct complete.....	270,871 86	270,871 86	.....	.....
Track (main line):.....				
Ties.....	1,248,394 00	.....	.....	.....
Steel rails.....	2,299,187 43	.....	.....	.....
Iron rails.....	16,342 40	.....	.....	.....
Joints.....	222,737 31	.....	.....	.....
Spikes.....	137,459 00	.....	.....	.....
Laying and surfacing.....	459,530 00	4,734,050 13	5,172 73	20.5
Sleepers.....	625,075 55	.....	.....	.....
Track.....	50,637 00	681,712 53	741 75	4.2
Switch furniture.....	.....	.....	.....	.....
Ballast.....	694,761 00	.....	.....	.....
Gravel.....	292,536 65	987,297 65	1,074 35	6.1
Natural rock, earth, etc.).....	.....	.....	.....	.....
Buildings, exclusive of round-houses and machine shops:				
Depots, platforms, and sundry buildings.....	173,419 00	.....	.....	.....
Section houses.....	120,070 00	.....	.....	.....
Water-tanks.....	144,539 80	.....	.....	.....
Water-tanks (way only).....	20,862 80	.....	.....	.....
Stock pens.....	5,154 00	.....	.....	.....
Cool chutes and bins (way only).....	4,370 00	.....	.....	.....
Turntables (way only).....	2,500 00	470,845 40	512 31	2.0
Track scales.....	.....	.....	.....	.....
MISCELLANEOUS STRUCTURES:				
Fencing.....	240,239 50	.....	.....	.....
Cattle guards.....	24,757 00	.....	.....	.....
Telegraph (418 miles of wire only).....	10,450 00	.....	.....	.....
Overhead cross-ings.....	1,665 00	.....	.....	.....
Road crossings.....	7,371 10	.....	.....	.....
Signs.....	6,827 00	.....	.....	.....
Mail cranes.....	256 00	291,565 60	3 7 24	1.8
Round-houses and machine shops (buildings only).....	201,271 20	201,270 20	219 00	1.3
Machinery, tools and supplies.....	292,592 37	592,592 37	427 17	2.4
Furniture, fixtures and stationery.....	25,000 00	25,000 00	27 30	0.15
ROLLING STOCK:				
Locomotives.....	816,377 50	.....	.....	.....
Cars of all kinds.....	1,095,907 00	1,902,284 50	2,069 81	11.3
Local and engineering expenses, superintendence and present charter				
Leases.....	879,156 72	879,156 72	976 58	5.45
Interest allowable during construction.....	721,630 35	721,630 35	788 45	4.5
Total.....	\$16,142,297 45	\$16,142,297 45	\$17,563 92	100.0

which constitute the main or trunk line, the other 82.65 miles being branch lines. The Railroad Commission of Texas has fixed the aggregate value of these 919.06 miles of road at \$16,142,297.45, which is an average value of \$17,563.92 per mile. This is one of the best constructed roads in the country, and no expense has been spared in making it a first-class road in every respect.

The following is a statement of the number and length of the bridges and trestles on this road, including the great Pecos viaduct :

Items.	Number.	Aggregate length.	Minimum length.	Maximum length.
Iron bridges.....	174	20,454 ft.	10 ft.	2,180 ft.
Wooden bridges.....	5	1,101 ft.	60 ft.	399 ft.
Combination bridges.....	8	1,016 ft.	88 ft.	350 ft.
Total bridges.....	187	22,571 ft.	.....	.....
Trestles.....	2,377	123,194 ft.	8 ft.	1,050 ft.

The idea that the Railroad Commission of Texas acted in a hasty and arbitrary manner, and without giving the railroad companies a chance to be heard on the question of valuation, may arise in the mind of the reader. The answer to that suggestion is, that after making its report of value the Commission is required by the law under which it acts, to give, within ten days after the valuation is finished, notice in writing to the railroad company whose property has been valued, that its report is ready to be made, and that if the company has any objections thereto it must file them in writing within forty days after said service, or the report will be filed with the Secretary of State as correct. The *Commission* states that in making each valuation the

technical requirements of the law were strictly observed, and that in no case was the valuation, as fixed by the Commission, contested by the railroad company. The Galveston, Harrisburg & San Antonio and the Texas & New Orleans roads form the trunk line of the great Southern Pacific road through the State of Texas. The length of that part of the Texas & New Orleans road that is in the State of Texas, extending from Houston to the crossing of the Sabine river, is 105.45 miles. The total value of this 105.45 miles of road as fixed by the Railroad Commission is \$3,619,695.89, being an average value of \$34,326.18 per mile. The reason why the average value per mile is so great on this short road, when compared with that of the Galveston, Harrisburg & San Antonio road, is that the terminal facilities of both roads at Houston, and nearly all the rolling stock, supplies and machine shops for both roads, are assigned to and valued with this 105.45 miles of the line. As will be seen in Table No. 9, the total valuation of both roads as fixed by the Commission is \$19,761,993.34, which gives to the total mileage of both roads, 1,024.51, an average value of \$19,761.21 per mile. The number and length of the bridges and trestles on this 105.45 miles of the Texas & New Orleans road is as follows:

Items.	Number.	Aggregate length.	Minimum length.	Maximum length.
Iron bridges.....	6	2,883 ft.	85½ ft.	1,800 ft.
Wooden bridges.....	4	516 ft.	80 ft.	155¾ ft.
Total bridges.....	10	3,399 ft.	.....	.....
Trestles.....	567	51,521 ft.	7 ft.	3,992 ft.



The total cost of all the bridges, trestles, culverts, drains and viaducts, including the great Pecos viaduct, on the 1,024.51 miles of road belonging to these two companies in the State of Texas, is \$2,550,968.60, an average of \$2,489.84 per mile; and this probably represents the extreme cost per mile for bridges, trestles, culverts, and drains, on any line of the same length in the United States.

The Galveston, Harrisburg & San Antonio road has issued stock to the amount of \$27,084,400 and bonds in the amount of \$26,435,840, making a total liability of \$53,520,240, which is \$37,377,942.55 more than its actual value as found by the Railroad Commission, the amount of bonds alone being \$10,293,542.55 more than the value of the road. The Texas & New Orleans road has issued capital stock to the amount of \$5,000,000 and bonds to the amount of \$6,216,936.91, making a total liability of \$11,216,936.91, which is \$7,597,241.02 more than the actual value of the road as fixed by the Commission,—the amount of bonds alone being \$2,596,241.02 more than the value of the road.

In order to arrive at the true value of the roads, the Railroad Commission of Texas employed an expert civil engineer, who by years of experience in the construction of railroads has acquired a technical knowledge and skill in railroad construction, possessed by few men in his profession. In securing the data required by the Commission, this engineer and his assistants traveled on foot every mile of railroad in the State of Texas, and made

actual measurement of every excavation and embankment, of every bridge and building, and the present cost of duplication was computed on the ground; and no doubt every road in Texas could to-day be duplicated for less than the amount at which it was valued by the Commission.

The measurements and other data thus furnished by the expert engineer employed by the Commission will be of great value to the State of Texas in the future contests that will arise between the State and the corporations, for the reason that such evidence will be indispensable on the part of the State in proving the value of the roads.

We have seen in Table No. 9 that the Railroad Commission of Texas had, on the 30th day of November, 1896, placed a valuation of \$15,731.01 per mile on 9,057.91 miles of road in that State; and as the Commission appears to have acted carefully and fairly in the matter, there seems to be no reason to doubt that they have fixed a just and full value on the roads in their State. Texas is a very large and comparatively sparsely settled State when compared with some of the Northern and Eastern States, and for that reason would not require so many passenger and freight depots, nor so much rolling stock, nor such large machine shops, nor so much yard track per mile as would the roads in some of the other States; nor would the cost for the right-of-way and for lands and buildings for terminal purposes be so great in Texas as in some of the more

densely populated States. None of the railroads in Texas cross any high mountain ranges, and it is therefore certain that the average value per mile of the railroads in Texas does not represent the average per mile of all the other roads in the United States. It appears from the report of the Texas Commission that the weight of the rails on the roads in that State runs from 30 to 70 pounds per yard, while it is well known that some of the Northern and Eastern trunk lines have rails running from 65 to 100 pounds per yard. The only way that the average value per mile of all the railroads in the United States could be ascertained would be by making an actual measurement and inventory of every material part of the roads. An approximate average value per mile is therefore the nearest approach to the actual value that can be made, in the absence of knowledge based upon a survey and inventory. After much conversation and correspondence with many of the most competent and expert civil engineers in the country, the writer has prepared an approximate average estimate of the cost of a mile of single-track railway, standard gauge, on June 30, 1898. This is intended as an average when applied to all the railroads in the United States, but is based on the mileage given June 30, 1896, and gives an approximate cost per mile of \$22,940, which is \$7,209 more than the average value per mile as fixed on the roads in Texas.

Table No. 11 is an approximate average estimate of the present value of an average mile of the railroads

that were constructed and in operation in the United States on June 30, 1896, based on the prices of labor and materials in 1898,—putting the price of labor at \$1.50 per day, which is above the market price.

To those who criticize and object to the accuracy of the estimates contained in Table No. 11, the writer suggests a comparison of the different items of expense in Table No. 11 with the same class of items in Table No. 10 as they were fixed by the Railroad Commission of Texas, acting upon data furnished by an expert civil engineer; and the reader's attention is again called to the road, the value of which has been fixed in Table No. 10. It is one of the roads that form the trunk line of the great Southern Pacific system between the city of San Francisco in the State of California and the city of New Orleans in the State of Louisiana. The road was originally constructed and equipped in a first-class manner, and is kept in first-class condition. It compares favorably with any road in the United States. The only difference between the Galveston, Harrisburg & San Antonio road and the New York Central is in the weight of the rail, the amount of rolling stock, and number of depots per mile. The fact that the traffic is heavier on the New York Central makes a heavier rail and a greater number of locomotives and cars necessary. New York, having a denser population, requires more depots for a line of road than would be required by the same length of line in the State of Texas, and the lands required for railroad purposes are worth more

per acre in the State of New York than in the State of Texas.

The first item of expense in Table No. 11 cannot be compared with the similar item in Table No. 10, for the reason that Table No. 10 contains an item of charter fees that is not found in the other table. The items of cost of right-of-way and depot and terminal and all other grounds occupied for railroad purposes, amount to \$1,700 per mile in Table No. 11, and to \$651 per mile in Table No. 10. The items, including grubbing, clearing and grading, amount to \$3,600 per mile, in Table No. 11, while the same items in Table No. 10 amount to \$2,114 per mile,—a difference of \$1,486 in favor of Table No. 10. The estimates in Table No. 11 for the items of bridging, sidings and miscellaneous structures amount to \$4,000 per mile, against \$3,550 for same items, including the Pecos viaduct, in Table No. 10.

For the items under the head of Track, the amount per mile in Table No. 10 is \$5,172, while the amount of same items in Table No. 11 is \$5,189,—a difference of only \$17 per mile; and in explanation, the reader's attention is called to the fact that the valuations in Table No. 10 were made in 1894, when, as appears in Table No. 6, rails were worth \$24 per ton at the Eastern mills, while the estimates made in Table No. 11 are based on rails at \$18 per ton in 1898. The reader may compare every item in both tables, and the result will be the same. It must be the same, for the amount fixed as the average cost per mile in Table No. 11 is

\$5,376+ more per mile than the Texas Railroad Commission found the Galveston, Harrisburg & San Antonio road to be worth.

I will here quote what one of the ablest and most prominent civil engineers in the United States writes as to the cost of railroads:

"In the States of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin, the average excavation for a railroad, including possible overhaul, will not exceed 8,448 cubic yards per mile, which at 18c. per cubic yard would amount to \$1,520.64. There is but little rock excavation in the above States, and exclusive of large iron bridges, the average cost per mile of road in these States would be \$12,000."

The gentleman who makes the above statement has had years of experience as chief engineer of one of the greatest lines of railroad entering the city of Chicago. For obvious reasons his name cannot be given.

The reader's attention is called to the fact as shown in Table No. 2, that in the twelve above-named States on June 30, 1896, there were 80,929.59 miles of railroad, which was at that time 44.22 per cent. of all the railroads in the United States.

**TABLE No. 11.—APPROXIMATE AVERAGE ESTIMATE FOR A MILE OF SINGLE-TRACK RAILWAY, STANDARD GAUGE, LABOR \$1.50 PER DAY, STEEL RAILS \$18 PER TON OF 2,240 POUNDS (decimals omitted).**

1. Engineering, superintendence, interest, law expenses, and other incidentals .....	\$1,500
2. Land damages for right-of-way, 100 feet wide, 12.1 acres .....	800
3. Grubbing and clearing (average of entire road) 3 acres at \$40. ....	120
4. Grading 14,000 cubic yards of earth, etc., excavation at 18c. ....	2,520
5. Grading 1,200 cubic yards of rock excavation at 80c. ....	960
6. Masonry of culverts, drains, abutments of bridges, retaining-walls, etc., etc.—250 cubic yards at \$6. ....	1,500
7. Ballast broken stone, 12 inches deep, 11 feet wide, 2,347 cubic yards at 85c. ....	1,994
8. Cross-ties 2,992, pine, fir, cedar, redwood and oak at 50c., delivered. .	1,496
9. Rails (65 pounds to a yard) 102 1-7 tons at \$25, delivered. ....	2,553
10. Spikes 8,043 pounds at 1.61c., delivered. ....	130
11. Rail joints (angle), 18,480 pounds, with bolts and nuts, delivered. ....	270
12. Sub-delivery of materials along the line. ....	240
13. Laying track and surfacing. ....	500
14. Small wooden bridges, trestles, sidings, road-crossings, cattle-guards, signs, etc., etc. ....	800
15. Switch furniture. ....	100
16. Turntables. ....	30
17. Track and other scales. ....	25
18. Tools and furniture. ....	150
19. Coal chutes. ....	100
20. Water stations. ....	200
21. Tunnels and snow sheds. ....	290
22. Section-houses, snow and sand fences. ....	100
23. Bridges (other than small wooden) and viaducts. ....	900
24. Depot grounds, terminal grounds, and all other real estate (except right-of-way) used for railroad purposes. ....	900
25. Round-houses, machine shops and other structures at terminal and division points, and machinery. ....	500
26. Depot buildings, passenger and freight. ....	600
27. Rolling stock, engines and cars. ....	2,922
28. Telegraph lines, instruments and fixtures. ....	200
29. Stock yards and pens. ....	40
30. Fences. ....	500
<b>Total cost per mile. ....</b>	<b>\$22,940</b>

Table No. 12 gives the present total value of all the railroads in the United States on June 30, 1896. In arriving at the value of all the roads, each item of expense per mile as shown in Table No. 11 is applied to the total mileage into which it enters as an item of cost. It has been suggested that by multiplying the total number of miles of road by the average cost of a single mile, the total cost would be obtained. This, however, is not true, for the reason that the main and second tracks, or

even four tracks, are constructed on a single right-of-way 100 feet wide, and are inclosed by two lines of fence. The coal chutes, water stations, round-houses, machine shops, turntables, track scales, stock yards, telegraph lines, etc., of the main line are used by its second, third and fourth lines, as all the lines of road on a single right-of-way usually belong to and are operated by one company. While the construction of two, three or four lines of track on one right-of-way would not be proportionally as expensive as would be the construction of a single track, in Table No. 12 all tracks are assumed to be of equal cost. The construction of the many miles of yard track did not cost as much per mile as the construction of a mile of the trunk line; yet, in Table No. 12 the average cost of \$22,940 per mile is applied as if all of the 224,120 miles of track were trunk line. The reader will notice that while Table No. 3 gives the total of all tracks at 240,129.12 miles, Table No. 12 does not mention more than 224,120 miles of track. The reason for this is, that in Table No. 11, in the estimates of the average cost of a mile of single-track line, the construction of side-track is provided for at a proportion of 1 to 15, or one mile of siding to fifteen miles of main line, which is 352 feet of siding to one mile of main line, that being the average given by Trautwine (see Trautwine's Engineers' Pocket Book, page 762); and as the same average cost per mile of trunk line has been applied to second, third, fourth and yard tracks, the cost of constructing sidings is provided for in the estimated cost



The total cost of all the bridges, trestles, drains and viaducts, including the great Pecos on the 1,024.51 miles of road belonging to the railroad companies in the State of Texas, is \$2,550,000, an average of \$2,489.84 per mile; and this represents the extreme cost per mile for bridges, culverts, and drains, on any line of the same in the United States.

The Galveston, Harrisburg & San Antonio has issued stock to the amount of \$27,084,400 and bonds to the amount of \$26,435,840, making a total liability of \$53,520,240, which is \$37,377,942.55 more than the actual value as found by the Railroad Commission, the amount of bonds alone being \$10,293,542.55 more than the value of the road. The Texas & New Orleans has issued capital stock to the amount of \$5,000,000 and bonds to the amount of \$6,216,936.91, making a total liability of \$11,216,936.91, which is \$7,500,000 more than the actual value of the road as fixed by the Commission,—the amount of bonds alone being \$241.02 more than the value of the road.

In order to arrive at the true value of the roads, the Railroad Commission of Texas employed an expert engineer, who by years of experience in the construction of railroads has acquired a technical knowledge and skill in railroad construction, possessed by few in the profession. In securing the data required by the Commission, this engineer and his assistants traveled every mile of railroad in the State of Texas, and

**TABLE No. 12.—TOTAL VALUE OF ALL RAILROADS IN THE UNITED STATES ON JUNE 30, 1896, BASED ON THE APPROXIMATE AVERAGE VALUE OF ONE MILE AT \$22,940.**

1. Engineering, superintendence, etc., 224,120 miles at \$1,500 per mile.....	\$336,180,000
2. Land damages, right-of-way, 182,776 miles at \$800 per mile.....	146,220,800
3. Grubbing and clearing 224,120 miles at \$120 per mile.....	26,894,400
4. Grading, earth excavation, 224,120 miles at \$2,525 per mile.....	564,782,400
5. Grading, rock excavation, 224,120 miles at \$960 per mile.....	215,155,200
6. Masonry of culverts, etc., 224,120 miles at \$1,500 per mile.....	336,180,000
7. Ballast, 224,120 miles at \$1,994 per mile.....	446,895,280
8. Cross-ties, 224,120 miles at \$1,496 per mile.....	335,283,520
9. Rails, 224,120 miles at \$2,553 per mile.....	572,178,360
10. Spikes, 224,120 miles at \$130 per mile.....	29,135,600
11. Rail joints, 224,120 miles at \$270 per mile.....	60,512,400
12. Sub-delivery of materials, 182,776 miles at \$240 per mile.....	43,866,240
13. Laying track and surfacing 224,120 miles at \$500 per mile.....	112,060,000
14. Small wooden bridges, etc., etc., 224,120 miles at \$800 per mile.....	179,296,000
15. Switch furniture, 224,120 miles at \$100 per mile.....	22,412,000
16. Turntables, 182,776 miles at \$30 per mile.....	5,483,280
17. Track and other scales, 182,776 miles at \$25 per mile.....	4,569,400
18. Tools and furniture, 182,776 miles at \$150 per mile.....	27,416,400
19. Coal chutes, 182,776 miles at \$100 per mile.....	18,277,600
20. Water stations, 182,776 miles at \$200 per mile.....	36,555,200
21. Tunnels and snow sheds, 182,776 miles at \$290 per mile.....	53,005,040
22. Section-houses, snow and sand fences, 182,776 miles at \$100 per mile.....	18,277,600
23. Bridges (large) and viaducts, 195,216 miles at \$900 per mile.....	175,694,400
24. Depot and terminal grounds, 182,776 miles at \$900 per mile.....	164,498,400
25. Round-houses, machine shops, etc., etc., 182,776 miles at \$500 per mile.....	91,388,000
26. Depot buildings, passenger and freight, 182,776 miles at \$600 per mile.....	109,665,600
27. Rolling stock, engines and cars, 195,216 miles at \$2,922 per mile.....	570,421,152
28. Telegraph lines and fixtures, 182,776 miles at \$200 per mile.....	36,555,200
29. Stock yards and pens, 182,776 miles at \$40 per mile.....	7,311,040
30. Fencing 182,776 miles at \$500 per mile.....	91,388,000
Total value of all roads (240,129 miles).....	\$4,837,558,512

Table No. 13 is a comparison of prices published in *The Iron Age* of June 30, 1898, in which is given at that date the prices of pig iron, steel billets, steel rails, spikes, splice bars and old material, at different points in the United States east of the Mississippi river. It appears by this table that steel rails were on the 29th day of June, 1898, selling at \$17 per ton at the Eastern mills, and that at Philadelphia, old steel rails were worth within \$7 and at Chicago old iron rails were worth within \$4.75 per ton as much as new steel rails were selling for at Eastern mills.

**TABLE No. 13.—A COMPARISON OF PRICES AT DATE, ONE WEEK, ONE MONTH AND ONE YEAR PREVIOUS.***Advances over the previous month in heavy type.*[From *The Iron Age*, 232-238 William Street, New York, June 29, 1898.]

	June 29, 1898.	June 22, 1898.	June 1, 1898.	June 30, 1897.
<b>Pig Iron:</b>				
Foundry Pig No. 2, Standard, Philadelphia .....	\$10 50	\$10 50	\$10 50	\$10 50
Foundry Pig No. 2, Southern, Cincinnati .....	8 75	8 75	9 25	8 75
Foundry Pig No. 2, Local, Chicago .....	11 00	11 00	11 00	10 25
Bessemer Pig, Pittsburg .....	10 25	10 40	10 25	9 30
Gray Forge, Pittsburg .....	9 00	9 10	9 00	8 25
Lake Superior Charcoal, Chicago .....	11 50	11 50	11 50	13 00
<b>BILLETS, RAILS, ETC.:</b>				
Steel Billets, Pittsburg .....	14 50	14 50	14 75	14 00
Steel Billets, Philadelphia .....	16 50	16 75	17 00	16 00
Steel Billets, Chicago .....	16 25	16 25	16 25	15 00
Wire Rods, Pittsburg .....	20 00	20 00	20 40	19 50
Steel Rails, heavy, Eastern mill .....	17 00	17 50	18 00	19 00
Spikes, tidewater .....	1 40	1 40	1 40	1 45
Splice Bars, tidewater .....	1 05	1 05	1 05	1 05
<b>OLD MATERIAL:</b>				
O. Steel Rails, Chicago .....	8 25	8 00	8 00	7 50
O. Steel Rails, Philadelphia .....	10 00	10 50	10 25	10 00
O. Iron Rails, Chicago .....	12 25	12 50	12 25	11 00
O. Iron Rails, Philadelphia .....	12 00	12 00	12 00	11 50
O. Car Wheels, Chicago .....	11 50	11 50	11 50	9 50
O. Car Wheels, Philadelphia .....	10 00	10 50	10 25	8 75
Heavy Steel Scrap, Chicago .....	8 00	8 00	8 00	7 00

## CHAPTER 4.

Operating expenses.—What is included under that head.—Per cent. of the gross earnings expended in the operation of the roads.—False returns of railroad officials as to operating expenses.—Necessity of public control over corporate accounts.—Parasites on corporate management.—Gross earnings, operating expenses and net earnings from 1892 to 1896.—Increase in number of "general" and "other" railroad officers 32 per cent. in five years.—Number of railroad employees in United States.—Number and salaries of general officers more than four times as much as the number and salaries of the general officers of the United States, States, and Territories.—Operating expenses throughout the world.

OPERATING EXPENSES.—Under the head of operating expenses is included every possible expense and disbursement of money, except interest on bonds, dividends on stock, and taxes, to which a finished line of railroad is subjected. If the company pays for killing a cow, it is charged as operating expenses. If the president of the road is paid \$75,000 in the way of salary, it is charged to operating expenses. All salaries, wages, commissions and "presents" are charged up as operating expenses. When, in violation of the law, discriminations are made, and rebates paid to favored friends of the road, the amounts so paid are called "operating expenses." If legislation, State or National, needs looking after in the interests of the roads, the expense incurred is part of the operating expenses. When contributions are made in aid of a political party

at a special or general election, the amount so given is accounted for under the head of "unclassified operating expenses." It appears in Table No. 14 that operating expenses during the five years from 1892 to 1896 inclusive averaged 67.46 per cent. of the gross earnings of all the roads reporting to the Interstate Commerce Commission. The lowest per cent. during these five years was in 1892, when operating expenses amounted to 66.67 per cent. of the gross earnings, and the highest per cent. was in 1894, when operating expenses amounted to 68.14 per cent. of the gross earnings. The reports of the railroads upon which the "statistics" of the Interstate Commerce Commission are based, are made by the companies under the requirements of an act of Congress to "Regulate commerce between the States"; and as evidence of the truth of these reports made by the companies, the following statement made by the Interstate Commerce Commission, on pages 63 and 64 of its Report to the Senate and House of Representatives on December 3, 1894, is submitted for the reader's consideration :

"ANNUAL REPORTS OF COMMON CARRIERS.

"Pursuant to section 20 of the act to regulate commerce, reports are required to be made to the Commission by all common carriers subject to the act, showing in detail the amount of capital stock issued by each of such common carriers, the dividends paid, its surplus fund, the funded and floating debts, the interest paid

thereon, salaries paid, amounts expended, how expended, the earnings and receipts from all sources, the balance of profit and loss, and a complete exhibit of the financial operations of the carrier for each year, including an annual balance sheet.

“In response to this requirement an important railroad system filed with the Commission a report, verified by the oaths of its president and auditor, for the year 1893. It subsequently appeared from a statement made by an expert accountant, who made an examination of its affairs and accounts on behalf of parties interested therein, that during the period covered by said report large sums of money had been paid out by the company by way of rebates and drawbacks, but were falsely covered under the head of legitimate expenditures.

“Under the existing law no indictment for perjury can be predicated upon such false and fraudulent report, though made under oath. In order to prevent the making of such false reports, offenders in this respect should be subjected to punishment for perjury. It is important also that carriers required to make reports under the law should be subject to reasonable penalty or forfeiture for failure to do so.”

It appears from the above statement of the Interstate Commerce Commission that some of the reports made by the corporations are not only entirely unreliable, but that they are deliberately false, and made with intent to deceive the public; not only that, but it also

appears that the making of a report at all, is optional on the part of the corporations, there being no penalty for a failure to comply with the law in that respect. The reader will notice that in no instance do the reports as contained in Table No. 14 cover the entire mileage of railroad in operation during that year as shown in Table No. 1. It must suggest itself to the reader that if the corporations falsify their reports in one respect, why not in another? Why may they not report a smaller amount than they received as gross income or earnings? Why may they not report operating expenses as greatly in excess of the actual cost? Why not falsely charge up to "maintenance of way and structures" exorbitant salaries paid to officers? Why not charge to "conducting transportation" large sums paid out to influence executive, legislative and judicial officers?— for it is generally believed that the corporations use money for that purpose. Neither the States nor the General Government have any control over the system of bookkeeping used by the corporations. Operating expenses can never be known by the law-making power until that power shall assume entire control over railroad bookkeeping. As to the necessity of such control, an extract from the Report of the Interstate Commerce Commission to the Senate and House of Representatives on December 2, 1895, page 63, is here submitted for the reader's consideration :

"Public control over corporate accounts might justly be carried so far as to guarantee to investors the integ-

rity of the statements upon which the value of their property depends. Such an episode, for example, as that which recently startled the country, in which the official of a railway corporation deceived investors by erroneous charges amounting to millions of dollars, would not have been possible after ten years of successful operation of a system of public supervision over accounts. The many parasites also on corporate management by which profits are sucked up before the claims of stockholders are reached would be brought to light by a system of public supervision over accounts, and if exposure did not cause these abuses to disappear they might be dealt with in the light of explicit information.

“Few persons appreciate the extent to which railway corporations are engaging in businesses outside the legitimate service of transportation, or the extent to which businesses legitimately a part of the transportation industry are delegated to outside agencies. The problem approached in this manner is indeed a great problem, and it may take years to work out of the confusion into which the supremacy of private interest in corporate management has brought the railway system of the United States; but respecting one fact there can be no difference of opinion, and that is, that the first step toward this end is the development of a legally prescribed system of bookkeeping which the carriers shall be obliged to follow. In no other way can a just and equitable value be assigned to railway property,



**TABLE No. 14.—COMPARATIVE CONDENSED INCOME ACCOUNT FOR THE YEARS ENDING JUNE 30, 1893, 1894, 1895, 1896, 1897, 1898, AND 1899.**  
 [From the Report of the Interstate Commerce Commission.]

Item.	Amount.					
	1893. 1	1894. 2	1895. 3	1896. 4	1897. 5	1898. 6
Gross earnings from operation.....	\$1,150,169,376	\$1,075,371,462	\$1,075,371,462	\$1,075,371,462	\$1,171,407,843	\$1,171,407,843
Less operating expenses.....	772,969,044	735,720,415	735,720,415	735,720,415	827,921,259	827,921,259
Income from operation.....	377,180,332	340,651,047	340,651,047	340,651,047	343,486,584	343,486,584
Income from other sources.....	129,024,731	132,432,133	132,432,133	132,432,133	146,649,815	146,649,815
Total income.....	506,205,063	473,083,180	473,083,180	473,083,180	490,136,400	490,136,400
Total deductions from income.....	416,573,137	425,966,921	425,966,921	425,966,921	431,422,156	431,422,156
Net income.....	89,631,926	56,116,259	56,116,259	56,116,259	111,058,034	111,058,034
Total dividends (including "Other payments from net income").....	\$ 88,097,757	\$ 85,961,500	\$ 85,961,500	\$ 85,961,500	\$ 102,941,289	\$ 102,941,289
Surplus from operations.....	1,534,169	\$ 29,845,241	\$ 29,845,241	\$ 29,845,241	8,116,745	14,098,056

1 181,982.64 miles of line represented.  
 2 177,746.35 miles of line represented.  
 3 175,960.96 miles of line represented.  
 4 169,779.84 miles of line represented.  
 5 Includes \$494,386, "Other payments from net income."  
 6 Includes \$673,957, "Other payments from net income."  
 7 Includes \$6,092,038, "Other payments from net income."  
 8 Includes \$2,011,404, "Other payments from net income."  
 9 Deficit.  
 10 162,397.30 miles of line represented.

since in no other way can the earnings of such property be accurately ascertained. It is believed that the investor even more than the public would be benefited by public supervision over railway accounts. The only interest endangered by such a measure is that of the speculator, whose margin of profit is in proportion to uncertainty, and that of those railway officials who are not content with the payment of a salary, but who create an income incidental to the management of the property,—an income which in many cases is the fruit of dishonor.”

From the year 1871 to 1896, inclusive, the railroad collected as gross earnings from operation \$20,399,244, 127. Of this amount the sum of \$13,514,043,529 is accounted for as having been expended in operating the roads, leaving the sum of \$6,885,200,598 as net profit on the amount invested in the roads. (See page 336, Statistical Abstract of the United States for 1897. During these twenty-six years the net profits on operation amounted to \$2,047,204,086 more than the present value of all the roads. The reader will observe that the vast sums realized by the corporations in the way of public donations, by the sale of the millions of acres of land granted to them by Government, and from other sources are not included in the above statement of net profits. As to the manner in which the \$13,514,043,529 was used in payment of operating expenses, Tables Nos. 14 and 16 will partly explain. Table No. 15 is a summary

of the employees of the roads by class and per 100 miles of line for five years ending with June 30, 1896, while Table No. 16 gives the average daily compensation of the different classes of employees for the same length of time. The reader will observe that in Table No. 15 all officers prior to 1894 are called "General Officers," but as there was an increase in that class of 506 in the year 1893, it was probably thought best to designate some of them by another name ("There's nothing in a name"), and when 1894 saw a further increase of 425 in the officer class, 1,778 of them were designated as "Other Officers," while 5,257 of them remained "General Officers." In 1895 there was a still further increase of 906 in the officer class, and 2,534 are now "other officers," while 5,407 are general officers. In 1896 there was an increase of 149, showing a total increase of "general" and "other" officers of 1,986 in four years. Table No. 1 will show that it was not a great increase in railroad mileage that necessitated this alarming increase in the number of railroad officials, for during these four years there were but 7,412 miles of railroad constructed in the United States. The per cent. in the increase of railroad officers should be in proportion to the per cent. of increase of other railroad employees and of the railroad mileage under their supervision. The *Locomotive Fireman's Magazine* of April, 1898, says as follows on this subject:

"The following is the increase in the per cent. of

railway mileage, of the number of railway employees, and the number of railway officials:

Total mileage of railways in the United States,	
June 30, 1892 .....	171,563
Total mileage of railways in the United States,	
June 30, 1896 .....	182,776
Per cent. of increase .....	.06 $\frac{1}{2}$
Total number of railway employees in the	
United States, June 30, 1892.....	815,311
Total number of railway employees in the	
United States, June 30, 1896.....	818,530
Per cent. of increase.....	.00 $\frac{3}{8}$
Total number of railway 'general officers' and	
'other officers' in the United States, June	
30, 1892.....	6,104
Total number of railway 'general officers' and	
'other officers' in the United States June	
30, 1896.....	8,090
Per cent. of increase.....	.32 $\frac{1}{2}$

"This shows that while the mileage has increased a little over 6 per cent. and the number of employees only about  $\frac{3}{8}$  of one per cent., the number of 'general' and 'other' officials has increased more than 32 per cent."

It appears by Table No. 15 that while there were 6,610 general officers in 1893, there were but 5,257 of that name in 1894, for some reason best known to themselves,—probably for a mere disguise of the fact that they are all "general" officers. Of the general officers in 1893, 1,353 appear in their reports as "other" officers in 1894. From the fact that only average rates of compensation are given, there is no way by which the

**TABLE No. 15.—COMPARATIVE SUMMARY OF EMPLOYEES, BY CLASS AND PER 100 MILES OF LINE, FOR THE YEARS ENDING JUNE 30, 1896, 1893, 1894, 1893, AND 1892.**

[ From the Report of the Interstate Commerce Commission. ]

Class.	1896.		1895.		1894.		1893.		1892.	
	Number.	Per 100 miles of line.	Number.	Per 100 miles of line.	Number.	Per 100 miles of line.	Number.	Per 100 miles of line.	Number.	Per 100 miles of line.
General officers.....	5,372	3	5,407	3	5,237	3	6,610	4	6,104	4
Other officers.....	2,718	1	2,534	1	1,778	1	.....	.....	.....	.....
General office clerks.....	26,328	14	26,583	15	24,779	14	27,584	16	25,469	16
Station agents.....	29,723	16	29,014	16	28,199	16	28,019	17	26,829	16
Other station men.....	75,919	42	73,569	41	71,150	41	75,181	44	69,511	43
Engineers.....	35,831	20	34,718	20	35,466	20	38,781	23	36,739	23
Firemen.....	36,762	20	35,516	20	36,397	21	40,359	24	37,747	23
Conductors.....	32,457	14	31,716	14	21,823	14	27,537	16	26,042	16
Other trainmen.....	69,806	36	62,721	36	63,417	36	72,069	43	68,732	42
Mechanics.....	39,272	16	37,740	16	39,315	17	30,869	18	28,753	18
Carpenters.....	38,546	21	35,564	20	36,328	21	41,878	25	40,080	25
Other shopmen.....	35,013	53	38,661	50	34,359	48	33,719	53	32,615	54
Section foremen.....	30,372	17	29,869	17	29,669	17	23,699	18	22,553	18
Other truckmen.....	169,694	93	135,146	87	150,711	85	180,184	106	171,810	109
Switchmen, flagmen, and watchmen.....	44,266	24	43,188	24	43,219	25	46,018	27	42,862	26
Telegraph operators and dispatchers.....	21,682	13	20,994	12	22,145	13	22,619	13	20,910	13
Employees—account floating equipment.....	5,502	3	5,779	3	7,469	4	6,146	4	5,332	3
All other employees and laborers.....	88,467	49	83,355	47	85,276	48	105,450	62	98,007	60
Total.....	836,020	454	785,034	441	779,608	444	873,602	515	821,415	506

public can determine whether this change in name was followed by a change in compensation. It appears from Table No. 15, that on June 30, 1896, there were 826,620 persons in the employ of the railroads, of whom 93,339 are described as "employees" and "all other employees and laborers."

**TABLE No. 16.**—COMPARATIVE SUMMARY OF AVERAGE DAILY COMPENSATION OF RAILWAY EMPLOYEES FOR THE YEARS ENDING JUNE 30, 1896, 1895, 1894, 1893, AND 1892.

[From the Report of the Interstate Commerce Commission.]

Class.	Average daily compensation in dollars. (United States.)				
	1896.	1895.	1894.	1893.	1892.
General officers.....	\$9 19	\$9 01	\$9 71	\$7 81	7 62
Other officers.....	5 96	5 85	5 75	.....	.....
General office clerks.....	2 21	2 19	2 34	2 23	2 20
Station agents.....	1 73	1 74	1 75	1 63	1 81
Other station men.....	1 62	1 62	1 63	1 65	1 68
Enginemen.....	3 65	3 65	3 61	3 66	3 68
Firemen.....	2 06	2 05	2 03	2 04	2 07
Conductors.....	3 05	3 04	3 04	3 08	3 07
Other trainmen.....	1 90	1 90	1 89	1 91	1 89
Machinists.....	2 26	2 22	2 21	2 33	2 29
Carpenters.....	2 03	2 03	2 02	2 11	2 08
Other shopmen.....	1 69	1 70	1 69	1 75	1 71
Section foremen.....	1 70	1 70	1 71	1 75	1 76
Other trackmen.....	1 17	1 17	1 18	1 22	1 22
Switchmen, flagmen and watchmen...	1 74	1 75	1 75	1 80	1 78
Telegraph operators and dispatchers...	1 93	1 98	1 93	1 97	1 93
Employees—account floating equipment.....	1 94	1 91	1 97	1 96	2 07
All other employees and laborers.....	1 65	1 65	1 65	1 70	1 67

Table No. 16 shows that the rates of compensation of railroad employees did not remain stationary from 1892 until 1896, and as a good and plain illustration of how those rates stood at the beginning and end of those five years, by permission of the editor the following table is copied from the April number (1898) of the *Locomotive Fireman's Magazine*:

"The following is a comparative summary of the

'Average Daily Compensation' of railway officials and employees of the United States for the years ending June 30, 1892, and 1896, compiled from Interstate Commerce Commission reports:

TABLE No. 17.

Class.	1892.	1896.	Inc.	Dec.
<b>G</b> eneral officers .....	\$7 62	\$9 19	\$1 57	.....
<b>O</b> ther officers .....	.....	5 96	.....	.....
<b>G</b> eneral office clerks .....	2 20	2 21	01	.....
<b>S</b> tation agents .....	1 81	1 73	.....	\$0 08
<b>O</b> ther station men .....	1 66	1 62	.....	06
<b>E</b> ngineers .....	3 08	3 65	.....	03
<b>F</b> iremen .....	2 07	2 06	.....	01
<b>C</b> onductors .....	3 07	3 05	.....	02
<b>O</b> ther trainmen .....	1 89	1 60	01	.....
<b>M</b> achinists .....	2 29	2 26	.....	03
<b>C</b> arpenters .....	2 06	2 03	.....	06
<b>O</b> ther shopmen .....	1 71	1 69	.....	02
<b>S</b> ection foremen .....	1 76	1 70	.....	06
<b>O</b> ther trackmen .....	1 22	1 17	.....	05
<b>S</b> witchmen, flagmen, and watchmen .....	1 78	1 74	.....	04
<b>T</b> elegraph operators and dispatchers .....	1 93	1 93	.....	.....
<b>E</b> mployees — account floating equipment .....	2 07	1 94	.....	13
<b>A</b> ll other employees and laborers .....	1 67	1 65	.....	02

"This table tells its own story. It shows that, notwithstanding the 'good times' of 1892 and the subsequent 'crash' that followed, the salaries of 'general officers' have increased an average of \$1.57 per day, and that the wages of employees have suffered repeated reductions on many roads."

It must appear to any reasonable man that many classes of employees mentioned in Table No. 16 are not justly compensated for the service they perform, and the risks of life and limb to which they are subjected. For the purpose of paying salaries, interest, and dividends, the wages of the men upon whose vigilance and skill the safety of the public depends have year by

year been cut down, until they have reached a point at which the employees and their families can barely exist; while on the other hand, the salaries of officers and the number of officers have increased year by year, until the amount collected from the public in fares and freights for the payment of the salaries of railroad officials in the year 1896 was \$689,798 more than the Government paid for the entire support of the army of the United States for that year. The 2,718 "other officers" received for their services in the year 1896 the sum of \$5,912,737, which was \$84,537 more than all the general officers of the United States at home and abroad, and all the general officers of the forty-five States, and all the Territories, received for the service they rendered for the public. The salaries of the 5,372 general officers of the railroads amounted to the sum of \$18,019,568 for the year 1896, which is more than three times as much as all the general officers of the United States and all the States and Territories received for their services; while the "general" and "other" railroad officers received as salaries in the year 1896 more than four times as much as was received by the general officers of the United States, States, and Territories. It is true that Table No. 18 fixes the amount received by general officers at \$12,497,957, and that received by "other officers" at \$5,301,119, making a total of \$17,779,076 for all officers, being \$6,153,229 less than the amount shown in Table No. 20, which is there obtained by multiply-



ing the daily compensation by the number of officers in each class and again multiplying the product by the number of days in the year. Salaries are usually paid by the month or year, while wages are generally paid by the day, week, or month. Table No. 16 shows what the salary of an officer amounts to per day, when the total amount of that salary is divided by the number of days in the year; and while Table No. 18 shows that the "general" and "other" officers receive only \$17,799,076 per year, Table No. 19 makes it appear that only general officers receive a salary, and the total amount is only \$8,751,208 for the year 1896. But the reader will also notice that while the designation "other" officers is nowhere mentioned in Table No. 19, it does appear in that table that some unnamed persons receive \$4,807,224 for superintending "maintenance of equipment" and \$12,494,620 for superintending "transportation," while the table shows that \$12,435,427 is the total amount charged up to "other expenses"; and in Note 1, at the foot of the table, it is shown that \$51,258,278 was excluded by the Interstate Commerce Commission from the Report in 1896, for want of any classification at all, and that \$50,491,775 was excluded from the report of 1895 for the same reason. Is not the public justified in believing that this \$101,750,053 of money, collected as fares and freights from the producers of the country, was "sucked up by the many parasites on corporate management" mentioned by the Interstate Commerce Commission in its report for the year 1895?

**TABLE No. 18.—SUMMARY SHOWING TOTAL AMOUNT OF YEARLY COMPENSATION PAID RAILWAY EMPLOYEES IN THE UNITED STATES FOR THE YEARS ENDING JUNE 30, 1896, AND 1895.**

*Covers 99.68 per cent. of number of employees for 1896, and 99.50 per cent. for 1895.*

[From the Statistical Report of the Interstate Commerce Commission.]

Class.	1896.	1895.
General officers.....	\$12,497,957	\$12,234,686
Other officers.....	5,301,119	4,854,824
General office clerks.....	19,037,816	18,820,959
Station agents.....	17,050,117	16,081,380
Other station men.....	39,076,478	38,460,716
Enginemen.....	41,354,307	39,490,901
Firemen.....	23,724,854	22,571,130
Conductors.....	24,758,485	23,708,480
Other trainmen.....	38,379,035	36,504,135
Machinists.....	19,312,746	17,724,171
Carpenters.....	22,948,585	20,961,980
Other shopmen.....	48,497,887	44,738,582
Section foremen.....	17,097,832	16,735,703
Other trackmen.....	54,521,113	50,513,897
Switchmen, flagmen, and watchmen.....	24,950,907	24,254,369
Telegraph operators and dispatchers.....	13,695,587	13,615,311
Employees—account floating equipment.....	3,221,290	3,290,020
All other employees and laborers.....	43,398,416	40,377,117
<b>Total.....</b>	<b>\$168,824,531</b>	<b>\$145,508,261</b>

If the statement in Table No. 19 as to salaries were true, even that shows that the salaries of the general officers of the railroads were in 1896 more than one-half more than the salaries of all the general officers of the United States, States, and Territories. But Table No. 19 is not true as to salaries of officers, in that it does not give the full amount under that head received by officers of the roads. Poor's Manual of Railways for 1897 gives the names of many superintendents as follows: Atchison, Topeka & Santa Fé Ry.—General Superintendent, H. U. Mudge; Superintendent of Car Service, C. W. Kouns; Superintendent of Machinery, John Player. Cincinnati, Hamilton & Dayton Ry.—General Superintendent, R. B. Turner; Superintendent of Tracks and Structures, I. F. White; Superintendent of

Car Service, G. H. Wade; Superintendent of Motive Power, Chas. H. Cory. Erie R. R. Co.—General Superintendent, C. R. Fitch; Superintendent of Transportation, G. Van Kenren; Superintendent of Motive Power, A. E. Mitchell; Superintendent of Telegraphy, W. J. Holmes. And so in nearly all of the 836 different lines of railroad mentioned in the "Directory of Railway Officials," this attempt to cover up salaries under the designation of "superintendence" is a thin device. No reasonable person will say that railroads can be constructed and operated without officers, but when the number of officers becomes an unbearable burden upon the people by reason of the large sums of money exacted from them to pay official salaries, the questions naturally arise: Are there not too many railroad officers? and, Do they not pay themselves more than their services are worth? Every one knows that the people pay the salaries of railroad officials, just as they pay the salaries of County, State, and United States officials. Railroad companies can have but one legitimate way of earning money, and that is by operating the roads in the carriage of passengers, freight, mails, express matter, etc. The public pays the fares and freights, and the people have the right to make objection to unreasonable rates and to the payment of unreasonable salaries to railroad officials.

The reader will understand that figures given in all these tables from the reports of the Interstate Commerce Commission, are based on the reports furnished to the

Commission by the railroads, and that the Commission is not answerable for the obvious contradictions there

**TABLE No. 19.—SUMMARY SHOWING CLASSIFICATION OF OPERATING EXPENSES OF RAILWAYS IN THE UNITED STATES FOR THE YEARS ENDING JUNE 30, 1896 AND 1895.**

[ From the Statistical Report of the Interstate Commerce Commission ]

Item.	Amount.	
	1896.	1895.
<b>MAINTENANCE OF WAY AND STRUCTURES :</b>		
1. Repairs of roadway .....	\$77,501,102	\$69,1
2. Renewals of rails .....	10,419,393	10,1
3. Renewals of ties .....	21,855,298	19,9
4. Repairs and renewals of bridges and culverts ..	16,347,620	15,3
5. Repairs and renewals of fences, road crossings signs, and cattle-guards .....	4,049,534	3,5
6. Repairs and renewals of buildings and fixtures ..	12,948,641	11,1
7. Repairs and renewals of docks and wharves ..	1,948,636	1,5
8. Repairs and renewals of telegraph .....	972,446	9
9. Stationery and printing .....	193,913	2
10. Other expenses .....	2,684,407	2,0
Total .....	\$148,920,960	\$133,8
<b>MAINTENANCE OF EQUIPMENT :</b>		
11. Superintendence .....	\$4,807,224	\$4,3
12. Repairs and renewals of locomotives .....	43,150,823	38,3
13. Repairs and renewals of passenger cars .....	15,990,268	14,5
14. Repairs and renewals of freight cars .....	51,910,309	40,5
15. Repairs and renewals of work cars .....	1,049,314	8
16. Repairs and renewals of marine equipment .....	1,245,109	1,1
17. Repairs and renewals of shop machinery and tools .....	3,753,775	3,0
18. Stationery and printing .....	291,116	2
19. Other expenses .....	3,321,494	3,1
Total .....	\$125,519,432	\$106,4
<b>CONDUCTING TRANSPORTATION :</b>		
20. Superintendence .....	\$12,494,620	\$11,6
21. Engine and round-house men .....	70,243,683	66,6
22. Fuel for locomotives .....	69,786,920	70,5
23. Water supply for locomotives .....	4,988,998	4,8
24. Oil, tallow and waste for locomotives .....	2,734,361	2,7
25. Other supplies for locomotives .....	1,655,556	1,5
26. Train service .....	56,182,337	53,9
27. Train supplies and expenses .....	11,233,426	10,3
28. Switchmen, flagmen, and watchmen .....	20,732,359	28,0
29. Telegraph expenses .....	14,273,549	14,0
30. Station service .....	55,647,544	54,7
31. Station supplies .....	5,731,378	5,5
32. Switching charges—balance .....	2,567,074	2,5
33. Car mileage—balance .....	14,821,688	14,7
34. Hire of equipment .....	2,326,142	2,2

TABLE No. 19—CONCLUDED.

Item.	Amount.	
	1896.	1895.
<b>JOINTING TRANSPORTATION — Concluded.</b>		
Loss and damage.....	\$5,591,312	\$5,295,161
Injuries to persons.....	6,060,690	6,383,171
Clearing wrecks.....	909,188	881,059
Operating marine equipment.....	5,958,607	5,726,281
Advertising.....	3,014,518	2,896,811
Outside agencies.....	11,308,133	10,960,656
Commissions.....	1,211,298	1,042,117
Stock-yards and elevators.....	910,321	783,318
Tents for tracks, yards, and terminals.....	12,602,169	11,662,689
Tents of buildings and other property.....	3,623,237	3,356,070
Stationery and printing.....	4,443,871	3,976,411
Other expenses.....	3,945,620	4,519,625
<b>Total.....</b>	<b>\$114,000,539</b>	<b>\$101,492,046</b>
<b>GENERAL EXPENSES:</b>		
Salaries of general officers.....	\$8,751,208	\$8,996,698
Salaries of clerks and attendants.....	10,171,801	9,349,366
General office expenses and supplies.....	2,243,415	2,129,778
Insurance.....	3,215,625	3,291,206
Law expenses.....	5,233,788	5,443,291
Stationery and printing (general offices).....	1,189,892	1,162,892
Other expenses.....	2,484,106	3,087,919
<b>Total.....</b>	<b>\$33,289,835</b>	<b>\$33,461,153</b>
<b>UTILIZATION OF EXPENSES:</b>		
Maintenance of way and structures.....	\$148,920,960	\$133,853,841
Maintenance of equipment.....	125,519,432	106,421,600
Conducting transportation.....	414,000,539	401,492,046
General expenses.....	33,289,835	33,461,153
<b>Grand total.....</b>	<b>\$721,730,766</b>	<b>\$675,228,640</b>

Excludes \$51,258,278, unclassified.

<sup>2</sup> Excludes \$50,491,775, unclassified.

the roads, after furnishing the reports from which Tables Nos. 15, 16 and 18 are made up, for the purpose of making it appear that the roads pay annually to officers and employees the total amount of \$168,824,—which sum covers every expense for personal service—that any officer or employee named in Tables Nos. 16 and 18 could perform, the corporations again furnish compensation to employees and officers under

such heads in Table No. 19 as "Repairs of roadway," "Superintendence," "Engine and round-house men," "Train service," "Switchmen, flagmen, and watchmen," etc., etc. Having accounted for the \$468,824,531 in Tables Nos. 15, 16 and 18, why do they not go on in Table No. 19 and account for the other \$304,164,513 of the \$772,989,044 operating expenses, by giving the prices of rolling stock and all kinds of materials and supplies bought by the roads? Such a report would present to the people information of a practical kind.

Pages from 124 to 259 of the Statistical Report of the Interstate Commerce Commission for 1896 are taken up in telling the public who owns and who operates the roads, and the names of the roads so owned and operated. What do the people care about who owns or who operates a road, when that information in no way enables them to judge of the reasonableness of rates? Pages from 264 to 337 of the same report are taken up in giving the amount of stocks and bonds issued and outstanding per mile on the different roads, but not a word is said about the present value of the roads, nor of the amount of money honestly expended in their construction. The public has known for a great many years that the roads are stocked and bonded for about three times as much as they are worth, and for more than twice as much as they cost. If those pages contained a true statement of the different items entering into the cost of construction, the cost of issuing them would not be thrown away. The reports should give

the date of construction of each road, the cost of the right-of-way and of the lands used for terminal and other purposes, the number of cubic yards of earth and rock excavations, the cubic yards of earth in embankments and the cost of making them in grading the road; the number and length of bridges and trestles, the cost of all kinds of materials, etc., etc. Pages from 342 to 393 are taken up in giving information to the public concerning the amount of money collected from the people in the carriage of passengers and freight, but not a word is said about the numbers of passes that were given to United States, State, county and city officials for the year ending June 30, 1896. Nothing is said about the amount of money that has been paid back in the way of rebates to favored shippers, and falsely charged up to "operating expenses." Nowhere in the reports do we find a statement of the amount paid to the president of any railroad; average salaries are given, and all the changes are rung on the averages. The law should require the exact salary paid to each class of officers to be given in dollars and cents, in the same public manner that the salaries of United States, State and county officers are published, and that the reports be filled with statistics that will entertain and instruct the people. There should be a radical change of matter in the reports.

In Table No. 20 will be found nearly all the general officers of the United States, States, and Territories, and their individual or aggregate salaries. It is not claimed

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that the list is complete as to all general officers, but is sufficiently so for the purpose for which it is intended. When there are a large number in a class, to give each one's name and the amount of salary received by him would require too much time and space. Under designation "105 assistant secretaries," etc., etc., are included such United States officers as, "Director of Mint," "Treasurer of the United States," "Surgeon General" and "Paymaster General" of the United States Army, "Commissioner of Internal Revenue," "Commissioner of the Land Office," etc., etc.,—all of whose positions are equally as important and require as much ability in the incumbent as any position that is filled by any railroad official in the United States. The table is intended to show the startling disparity between the amount of money paid by the people to the officers of the Government for their services, and the amount that railroad officials collect from the people and pay to themselves for their services. In 1896 Congress appropriated for the support of the army the sum of \$252,608. Tables Nos. 15 and 16 show that the pay of the "general" and "other" railroad officers for 1896 amounted to the sum of \$23,932,305, or \$679,697 more than it cost the people to support the army of the United States; and if the future may be judged by the past, it is safe to say that the number of "general" and "other" railroad "officials" will still continue to increase.

In their indictment of the British King the patri-

NOTES



1776 say as follows in their Declaration of Independence: "He has made judges dependent on his will one, for the tenure of their offices. He has erected a multitude of new offices, and sent hither swarms of officers to harass our people and eat out their substance." . . . "For imposing taxes on us without our consent; for cutting off our trade with all parts of the world." In many of the States the corporations not only elect the judges, but make their re-election dependent upon their rulings being favorable to the railroads. A candidate for a position on the Federal bench is seldom appointed if opposed by the corporations. Tables Nos.

and 20 show that the railroad corporations have created at least four times as many "general officers" have been created by the United States and all the State and Territorial governments. The substance of the American producers is eaten up by the enormous armies of this swarm of modern locusts called "general railroad officers." It is not now, nor ever will be known, how much of the hundreds of millions of dollars that are accounted for as operating expenses of the railroads is annually paid out by the corporations as salaries to "general officers." Rates fixed by the corporations to be paid by the people for the use of a railroad, a public highway, are taxes. Whenever a State authorizes or permits a railroad corporation to arbitrarily fix and collect taxes in the way of fares and freights on a public highway, the person who pays such fare or freight is by the State "deprived of his property with-

out due process of law." "The right of taxation is the highest prerogative of sovereignty. Its exercise is necessary to the very life and existence of the State. Its possession marks, regardless of the nominal form of government, the real nature of the government, whether republican, monarchical, or autocratic. It is the power of the purse, to which the power of the sword is a mere sequence. It seems anomalous, therefore, that such a power should be capable of alienation in perpetuity by the legislature of a free State, and that any portion of it could be irrevocably bargained away for any consideration to a corporation or anyone else." So says Mr. Justice Clark, in *Wilmington &c. R. Co. vs. Alsbrook*, 110 N. C. 137.

Regardless of what any railroad charter may contain, the right to tax the people by fixing rates on public highways remains with the State. It is a right of which the State, under a republican form of government, cannot divest itself. The right is inalienable, and cannot be lost by nonuser. Former legislatures have attempted to bargain away to the corporations the right of the State to fix the rates for transportation on the railroads, but all acts and contracts for that purpose are in direct violation of Section IV, Article IV of the Constitution of the United States, which provides that "The United States shall guarantee to every State in the Union a republican form of government." The corporations have cut off, or rather, prevented, the trade between the States, and between this country and the

ther parts of the world, on many of the products of the farms, by fixing rates so high as to prevent any return to the producers after paying freights and other shipping expenses.

**TABLE No. 20.—SALARIES OF OFFICERS OF THE UNITED STATES, STATES, AND TERRITORIES, 1897.**

1	President of the United States at \$50,000 .....	\$50,000
1	Vice-President at \$8,000 .....	8,000
8	members of the President's cabinet at \$8,000 each .....	64,000
9	Justices of the U. S. Supreme Court, 8 at \$10,000, 1 at \$10,500 .....	90,500
22	Judges of the U. S. Circuit Court at \$6,000 each .....	132,000
68	Judges of the U. S. District Court at \$5,000 each .....	340,000
5	Judges of the U. S. Court of Claims at \$4,500 each .....	22,500
30	U. S. Ambassadors and Ministers Plenipotentiary at from \$5,000 to \$17,500 each .....	306,500
90	United States Senators at \$5,000 each .....	450,000
157	Members of Congress, 356 at \$5,000 each, 1 at \$8,000 .....	1,788,000
8	Major Generals of the U. S. Army at \$7,500 each .....	60,000
5	Rear Admirals of the U. S. Navy at \$6,000 each .....	30,000
105	Assistant Secretaries, heads of Departments, Bureaus, and Divisions at Washington, at from \$3,000 to \$7,000 each .....	443,450
3	Civil Service Commissioners at \$3,500 each .....	10,500
1	Commissioner of Labor .....	5,000
5	Interstate Commerce Commissioners at \$7,500 each .....	37,500
324	Administrative officers of 45 States and 4 Territories, to wit: Governors, Lieutenant Governors, Secretaries of State, State Treasurers, State Auditors, Attorney Generals, Supt. of Public Instruction, Surveyor Generals, etc., at from \$400 to \$10,000 each .....	850,000
255	Supreme Court Judges of 45 States and 4 Territories at from \$2,000 to \$12,500 each .....	1,140,250
297	Total .....	\$5,828,200
	Average salary per annum of 1297 United States, State and Territorial officers .....	\$4,493
	Salaries of officers of railroads in the United States in the year 1896 :	
718	"Other officers" at \$5.96 per day .....	per year \$5,912,737
372	"General officers" at \$9.19 per day .....	per year 18,019,568
1,090	Total for all railroad officers .....	per year \$23,932,305
	Appropriation by Congress for the support of the army of the United States in the year 1896 .....	\$23,252,608

Table No. 21 gives the per cent. of operating expenses to total earnings on all the railroad mileage in the world, and shows that in only four countries, Denmark, Norway, the Dominion of Canada, and Algeria, are the operating expenses as high as in the United

States. There were in 1897, in Denmark, 1,409 miles of railway; in Norway, 1,072 miles of railway; in the Dominion of Canada, 16,535 miles of railway; and in Algeria there were 2,700 miles of railway. Thus of the 434,365 miles of railroad in the world in 1897, on only 21,716 miles were the operating expenses as great as in the United States. While Table No. 4 makes it appear that the average operating expenses amount to but 67.46 per cent. of the gross earnings for the five years ending June 30, 1896, it is done by calling taxes fixed charges and not including them in the expenses of operation. It is claimed by all the railroad authorities that the average cost of operating the roads is 70 per cent. of the gross earnings. By the States abolishing the taxation of railroads, valuing them at their full present value, properly regulating the number and salaries of railroad officials, the operating expenses can easily be brought to 55 per cent. of the gross earnings, and at the same time pay railroad employees better wages than they now get. By reducing the operating expenses to 55 per cent. of gross earnings in 1896, the people could have paid 5 per cent. on the full present value of the roads, \$1,837,558,512, and had \$275,698,295 left to the producers; or could have paid 6 per cent. interest on the full value of the roads, and have had \$227,322,710 left for the purpose of paying off mortgages.

**TABLE No. 21.**—SHOWING PERCENTAGE OF WORKING EXPENSES TO GROSS RECEIPTS AND PERCENTAGE OF INTEREST PAID ON CAPITAL INVESTED IN VARIOUS COUNTRIES.

[ From the Report of the Interstate Commerce Commission, 1894. ]

Country.	Percent- age of working expenses.	Interest on capital.	Country.	Percent- age of working expenses.	Interest on capital.
	<i>Per cent.</i>	<i>Per cent.</i>		<i>Per cent.</i>	<i>Per cent.</i>
United Kingdom ..	52	4.1	Switzerland .....	53	4.1
France .....	52	3.8	Roumania, etc....	60	2.7
Germany .....	54	5.1	Europe .....	54	3.7
Russia .....	57	5.3	United States.....	70	3.1
Austria .....	56	3.1	Canada .....	70	1.7
Italy .....	65	2.5	Spanish America..	67	1.6
Spain .....	44	4.4	Japan .....	43	3.1
Portugal .....	43	3.3	India .....	50	5.2
Sweden .....	62	2.9	Australia .....	63	3.3
Norway .....	70	1.8	South Africa .....	52	4.3
Denmark .....	86	1.2	Algeria .....	70	1.6
Holland .....	54	2.9	Egypt .....	46	4.1
Belgium .....	52	4.6	The world .....	62	3.2

## CHAPTER 5.

Over-issue of stocks and bonds.—How money is raised for the construction of roads.—Bonds issued are generally in excess of the value of the road.—Stocks generally represent no item of the cost of construction.—Aggregate capitalization of railroads in the United States.—Face value of the bonds alone exceeds the value of all the roads by more than \$578,516,457.—Total value of all the roads a little more than two-fifths of the face value of the stocks and bonds issued on them.—Statement of the Interstate Commerce Commission as to over-issue of stocks and bonds.

Railroads are usually constructed through the following means: A few persons, from five to ten in number, who as a general rule are not capitalists, but are what are known as "promoters," associate themselves for the purpose of forming a corporation and obtaining a "charter" for the construction of a railroad between certain points or through certain territory, or for the construction of roads generally. Having selected a general route, they raise by borrowing or otherwise money enough to pay the expenses of making preliminary surveys over two or more slightly different lines between the terminal points of the proposed road. The people living along the alternate lines at once become interested in having the road located near their farms and towns, and many of them offer to give the company a right of way through their lands, as well as to make liberal donations of money, provided the road is permanently located on a specified line. The road is

usually located, other advantages being about equal, on that one of the alternate lines that offers the largest donations. Liberal donations having been subscribed by the people, the promoters—who are the stockholders and officers of the company—have no difficulty in raising money enough, by collecting the donations or securing loans on them, to build the first section of a few miles in length, of the road, which they at once bond for much more than the cost of the completed section. It is usually at this point of time in the construction of the road that the capitalist makes his appearance, and after satisfying himself that the interest provided for in the bonds, which is usually from four to seven per cent., will be paid when due, takes them at a liberal discount from their face value. The proceeds of the first bond sale are usually more than sufficient to construct another short section of the line; after which another sale of bonds takes place,—and so on, as often as an additional section is finished, until the entire line is completed, at which time the road has generally been bonded for more than it cost to construct and equip it. Everything has been paid for, and in nine cases out of ten not one cent of the money that was expended in constructing and equipping the road came from the pockets of the stockholders, who have in the meantime drawn enormous salaries as officers of the company. If, as under the laws of some of the States the stockholders are required to do, they have paid into the treasury of the company a certain per cent. on their stock subscrip-

tions, the money remains in the treasury, and out of it their first annual dividend will probably be declared and paid. The face value of the stock issued per mile of road is on an average about the same as the face value of the bonds that have been issued. It happens in about one corporation in ten, that the stockholders are possessed of sufficient means to enable them to construct and equip the road without at first bonding it to the full amount of the money expended. In such case, of course, the stock they hold would represent a portion of the cost of construction; but on almost every road the face value of the bond finally issued is greater than the actual cost of the road, and when that is the case, of course the stock represents no item of the expense of construction and equipment. In such case the stock is issued by the promoters of the road to themselves or to others without the payment of any consideration that benefits the public in any manner, and such stock is not entitled to earn dividends that must be paid by the public. The bondholders are satisfied with the interest that the bonds bear, else they would not have bought them. In no case should the stock be allowed to earn dividends when the bonds issued equal the value of the road. It should not be forgotten that the railways are public highways, constructed by the exercise of one of the highest powers of sovereignty, the power of eminent domain.

Table No. 4 shows that on the mileage represented in that table, the corporations have issued \$5,094,565,549



of capital stock and \$5,382,680,329 of bonds, making an aggregate capitalization of \$10,477,245,878, or an average of \$60,262 per mile on the 173,860 miles of road represented, which average, when applied to 182,776 miles of road, the whole number of miles of main line in existence on June 30, 1896, gives an aggregate capitalization of \$11,014,485,277, which is \$6,176,926,665 more than the total value of the roads as shown in Table No. 12. These figures do not include the current liabilities nor floating debts, which aggregated 994,026,643 on June 30, 1896, and are alleged to be part of the cost of construction; nor do they include the \$1,404,130,581 of stocks issued by the "Joint Traffic Association," organized in 1896. (See World Almanac for 1898, p. 126.) The \$51,258,278 excluded from the return of operating expenses for 1896, by the Interstate Commerce Commission, for want of classification (see Table 19), probably went to pay dividends on this "Joint Traffic Association" stock. The writer is unable to ascertain whether or not the "Passenger Association" and "Freight Association" have issued stock. These associations are probably some of the "parasites" mentioned by the Interstate Commerce Commission.

Table No. 5 shows that on the mileage represented herein the corporations have issued \$5,290,730,567 of capital stock and \$5,416,074,969 of bonds, making a total capitalization of \$10,706,805,536, or \$59,965 per mile in stock and bonds, on the 178,549 miles of road

represented in Table No. 5, which does not include the floating debt of \$339,502,302, which in that table is claimed to be a part of the cost of construction. The average of \$59,965 per mile, when applied to the 182,776 miles of main line of road in operation on June 30, 1896, gives a total aggregate capitalization of \$10,960,200,617 in stocks and bonds, which is \$6,122,642,105 more than the total value of all the roads on June 30, 1896, as shown by Table No. 12. Table No. 5 shows that the bonds alone, issued on the 178,549 miles represented therein, are of a face value of \$30,333 per mile and amount to \$578,516,457 more than the total value of all the roads in the United States on June 30, 1896. This average of \$30,333 of bonds per mile, when applied to the 195,216 miles of main, second, third and fourth tracks as shown in Table No. 3, gives a total of \$5,921,486,928 of bonds, which is \$1,083,928,416 more of bonds alone than the value of the 240,129 miles of road as shown in Table No. 12, and when applied to the 182,776 miles of main line is \$706,585,896 more than the total value of all lines of road on June 30, 1896. It will be noticed that in no instance where the amount of stock and bonds is given, is the entire mileage, as shown in Table No. 3, given, and for that reason the public does not get a report of all stocks and bonds issued by the railroad companies; hence the only way in which the public can arrive at a knowledge of the amount of stocks and bonds issued by the railroads of the United States is by a law re-

quiring such information to be furnished by each and every road, to the State and Interstate railroad commissions, and fixing a heavy fine and imprisonment as the penalty for failing to strictly comply with the law. A vast proportion of all the railroad stocks now on the market were issued and sold by the corporations for a small per cent. of their face value. It is highly probable that the whole sum received by all the roads, for the stocks and bonds sold by them, does not amount in the aggregate to a sum much in excess of the present value of the roads as given in Table No. 12.

Mr. Robert P. Porter, Superintendent of the Eleventh Census, in a recent article in the *Conservative* says: "The value of farm property and products in 1890 was \$15,982,267,689. The value of our railroads was in the neighborhood of \$12,000,000,000." Mr. Porter is a statistician, and knows that the value of all "our" railroads in 1890 was not one-half of \$12,000,000,000, and his article was probably written for the purpose of squaring himself with the corporations for permitting the statement cited in the first page of this book, to appear in the census of 1890. That he has succeeded in mollifying the corporations, is evidenced by the fact that he is now the special American commissioner to Cuba, and will probably be the Superintendent of the Twelfth Census in 1900. "Virtue is its own reward"!

A careful examination of the statistics contained in the foregoing pages will convince an unprejudiced reader that the present value of all the railroads in the

United States is but a little more than two-fifths ( $\frac{2}{5}$ ) of the face value of the stocks and bonds that have been placed upon the market by the railroad companies, and that the original cost of all the roads was not more than one-half the amount of the present face value of the railroad stocks and bonds, upon some of which the corporations are at the present time earning more than 10 per cent. interest and 10 per cent. dividends. Since railroads stand between the producer and his market, land and agricultural products decrease in value in the same proportion that the value of railroads is increased, in order to give them the right to greater earnings, which the products of the land must pay.

The Report of the Texas Railroad Commission shows that so far as Texas is concerned, the railroads have been stocked and bonded for almost three times the amount of their present value, and it is certain that a careful and just valuation of the roads in all the other States will show the same disparity in the amount of stocks and bonds issued and the value of the roads, as is shown in Texas. It is almost certain that the present value of all the railroads in the United States does not reach the sum of \$4,837,558,512 as set forth in Table No. 12, and yet the companies have continued year after year in trying to earn dividends and interest on stocks and bonds of a face value of more than \$10,000,000,000. During the five years beginning with July 1, 1891, and ending with June 30, 1896, as shown in Table No. 14, the collections from the operations of

the roads amounted to the sum of \$5,691,061,852, an average of \$1,138,212,370 per year; and this vast sum was collected by the corporations from the people without in any manner being accountable to them as to the disposition made of it. During these five years the total net income from the operation of the roads amounted to the sum of \$1,852,018,776, an average of \$370,403,755 per year, which is 5 per cent. interest not only on the sum of \$4,837,558,512, the total value of all the roads, but it is also 5 per cent. interest on the further sum of \$2,570,516,588. Many people remember the loud complaints that were raised in 1866 when it was announced by the Treasury Department that the public debt of the United States had reached the sum of \$2,773,236,173. In those days farmers called their taxes "rents paid to the Government," and although it was known that the Government had been defrauded of many millions of dollars through the fraudulent letting of contracts and the purchase of inferior and worthless supplies of all kinds, and by the payment of two or three times the market value for serviceable supplies for the army, yet the people had borrowed and used the money and contracted the debts for the payment of which the bonds were issued and sold, and they felt that however heavy the burden, it was one of their own making and that justice required that full payment be made. But in the matter of railroad stocks and bonds the case is entirely different. Neither the people nor their agents took any part in the creation of these fraudulent

evidences of ownership and debt. From the earliest days of railroad construction in this country, the people have objected to and opposed the fraudulent over-issue of railroad stocks and bonds, on the ground that it tended to increase the rates of fares and freights, but have been answered to the effect that the issue of stocks and bonds is a private matter between the corporations and other persons, in the transaction of private business which in no way concerned the public. The public not having been in any manner a party to the over-issue of railroad stocks and bonds, and the money received for them not having been expended under public direction or control, the public is in no way bound by them; and no honest public servant, whether in the executive, legislative, or judicial branch of the Government, will attempt to render valid as against the people these false, fictitious, and fraudulent evidences of ownership and debt. The owners of this over-issue of stocks and bonds have no right to complain if they fail to get their money back or to get interest and dividends thereon. In their case the doctrine of *caveat emptor* applies: they should have made due inquiry before buying. Nor would the public have a right to complain in the matter, were it not for the fact that the corporations fix exorbitant rates in trying to earn dividends and interest on these over-issues of stocks and bonds.

Upon the subject of fixing rates so as to meet the dividends and interest on capitalization, I will here

quote from pages 73 and 74 of the Report of the Interstate Commerce Commission for 1896 :

“FINANCIAL CONDITION OF THE CARRIER AS AN ELEMENT  
IN CASES OF UNREASONABLE RATES.

“In the above-mentioned case relating to cotton rates from Indian Territory points to St. Louis, facts indicating an embarrassed financial condition of the defendant carrier were among those considered by the Commission in determining the reasonableness of the rates in question. The Commission said :

“‘We do not overlook the financial embarrassment of the company, resulting from the demands upon its earnings to meet an investment or capitalization aggregating \$79,547 per mile. In view of the fact that the road runs through a comparatively level country and could have been built at moderate cost, the presumption is great that some of this money was improvidently spent or misapplied. But it remains an incumbrance and burden upon the road, though the financial condition of the company is much improved since the years previous to 1892, when its rates and charges were lower; its straitened financial necessities should not be made to bear unequally upon the cotton traffic. The financial necessities and conditions of the road should, like other facts, be given “proper weight.” We have held that “the reasonable rate should be liberal until earnings are sufficiently large for a fair return on the actual expenditure.” (*Newland v. The Northern Pacific Railroad Company et al.*, 6 I. C. C. Rep., p. 131.)

“‘While the demands upon the road and its earnings must be considered and receive due weight, they are not controlling to the extent that independent of all other circumstances, rates are never unreasonable until the earnings are sufficient to operate the road and meet all the obligations of the company. The absurdity of such a rule is apparent in the facts. The Missouri, Kansas & Texas Railway, defendant, and the Chicago, Rock Island & Pacific Railway are both

carriers from and to the Indian Territory. For like distances their rates must necessarily be nearly the same to be reasonable. But the obligations of the defendant are \$79,547 per mile, while the obligations of the Chicago, Rock Island & Pacific Railway are \$36,483, or less than half as much per mile. The stated obligations of the carriers between St. Louis and Texas, and St. Louis and the Indian Territory, vary all the way from less than \$13,000 to more than \$103,000 per mile. As stated in their reports, the obligations to be met by earnings are eight times as great on some as upon others, and the impracticability of adjusting reasonable rates on the basis of the bonds and stocks issued or on capitalization is apparent.' "

Why should the financial necessities of a company that has stolen or misapplied the money alleged to have been spent in the construction of its road, be taken into consideration by the Interstate Commerce Commission when fixing rates, especially as in this case, where the Commission knows the money was stolen or misapplied?

It appears from the above quotation, that the capitalization of the different roads running practically through the same country and being of about the same length, varies from \$13,000 to \$103,000 per mile: \$13,000 per mile, if it covers the cost of construction and equipment, is a very moderate cost for a standard-gauge road. Yet a road of that length, if built the greater part of the way over level country, with medium-weight rail, few and short bridges, without expensive terminal facilities, and with a moderate amount of rolling stock, might be constructed and equipped for \$13,000 per mile. On the other hand, it is impossible that one-fourth of \$103,000 per mile could have been honestly expended in the construction and equipment of any road



running from the State of Texas to St. Louis, Missouri. It will be noticed that concerning the line capitalized at \$79,547 per mile, the Commission says: "The presumption is great that some of this money was improvidently spent or misapplied" (stolen). The extract is cited for the purpose of calling attention to the following sentence therein: "We have held that 'the reasonable rate should be liberal until earnings are sufficiently large for a fair return on the actual expenditure.'" Now the actual expenditure is the amount that was actually paid out or agreed to be paid in the construction and equipment of the road, whether honestly or otherwise. This decision of the Interstate Commerce Commission says in effect, that if the road happens to be a portion of the 2,449 miles constructed in 1867, when pig iron was worth \$44.12 per ton, bar iron \$87.08 per ton, iron rails \$83.13 per ton, steel rails \$166 per ton, locomotives \$18,000 each, and freight cars \$1,000 each, then, so far as the people who live along this particular line of road are concerned, pig iron, bar iron, iron rails, steel rails, locomotives and cars will always remain at the prices of 1867. It can't mean anything else. It means that while the farmer's land, for which he paid \$100 per acre on this line of road in 1867, has fallen in value to \$40 per acre in 1896, the property of the corporations remains at a fixed and permanent value, no matter how much like property may have decreased in value in the markets of the country. It means that iron and steel rails, locomotives and cars, which were

worn out in earning enormous profits, and cast aside years ago and replaced with better rails, locomotives and cars at less than one-quarter of the cost of the original, are still worth the amount paid for them in 1867. It means that while the machinery of the manufacturer, the miner, the steamboatman, the lumberman, and of all who bought and used machinery in 1867, has been worn out and cast aside for new and improved machinery, and thus become of no value except as old iron, the crude machinery, equipments and supplies owned by the railroads in 1867 or since that time, and now worn out and sold as old iron, can never lose the original cost nor the fictitious value placed upon them by the corporations. So says the Interstate Commerce Commission.

If the people in each State act promptly in the matter, and at once proceed and fix the present value of all the railroads in the State, and the per cent. of interest that may be earned on the actual value so found, the question of what will become of the over-issues of stocks and bonds will speedily be answered by at once giving to the fictitious capitalization its true value. The bonds first issued to the amount of the value of the road will be worth as much as they are now selling at; all other bonds and the stocks will at once go to or below the small per cent. of their face value at which they were originally sold by the corporations. The only sufferers will be the stock-gamblers. The producers who have so long paid the extortionate fares and freights, fixed to earn interest and dividends on these fictitious evidences of debt, will be benefitted.

## CHAPTER 6.

*Smith vs. Ames.*—Nature of suit.—Railroads win.—Comment on the result by railroad officials and parasites.—Corporations desire that the Federal Government have control of all railroad legislation.—Construction placed on the law by the Supreme Court of the United States.—Court's ideas concerning the way in which maximum rates must be fixed.—Injustice of the rule adopted by the court.—The court virtually decides that the property of the corporations cannot decrease in value.—The people must pay for all that was lost and stolen in the construction of the roads.—Depreciation in the value of private property.

Three cases, *Smith vs. Ames*, *Smith vs. Smith*, and *Smith vs. Higginson*, were commenced in the United States Circuit Court of the Eighth Judicial Circuit, which includes the State of Nebraska. The suits were commenced by citizens of the State of Massachusetts and a number of British subjects, for the purpose of preventing the Nebraska State Board of Transportation from enforcing a law enacted by the Legislature of Nebraska prescribing certain maximum freight rates on railroads within the State of Nebraska; the plaintiffs contending that the law was in violation of the fourteenth amendment of the Constitution of the United States in this: that it deprived the corporations of their property "without due process of law," and that it denied to them the "equal protection of the laws." The plaintiffs prevailed in the Circuit Court, and the State Board of Transportation took an appeal to the Supreme

Court of the United States, in which court the cases were argued on the 5th, 6th and 7th days of April, 1897, and were decided on the 7th day of March, 1898. (See *Smith vs. Ames*, 169 U. S., p. 466.) The decree of the Circuit Court in each of the cases was affirmed by the Supreme Court, which was cause for great rejoicing on the part of the railroad officials and much adverse comment on the part of the people. Mr. Chauncey M. Depew, the president of the New York Central, is reported to have expressed himself on that occasion as follows:

"The contention of the men who framed the Nebraska law, and people in other Western States who agree, has been for years that the legislatures have the right to confiscate railroad property within the States by fixing rates so low as to leave no return to stock- and bond-holders.

"The legislature has the power to fix rates within limits within which the railways can live and grant reasonable terms. As to what are reasonable rates, the Supreme Court would decide finally. This is a new country, and railways are necessary to develop it. There are still immense areas yet undeveloped, which can never be developed without railway lines."

That it is within the constitutional power of the judicial department to set aside a positive enactment of the legislative department of government, on the sole ground of the unreasonableness or inexpediency of the

act in question, is a new and dangerous departure from the old and well-understood powers of the judicial branch of government. No statute law, however unreasonable, is on that ground alone unconstitutional. Many of the judges of the highest courts do not hesitate to declare that in their opinion high license and prohibition laws are unreasonable, but those same judges do not hesitate in pronouncing judgments enforcing the laws, if found to be in every way in strict compliance with the requirements of the constitution.

If the Supreme Court of the United States proposes henceforth to set aside all acts of the legislatures of the different States, that are objected to by the corporations on the ground of being unreasonable, the sooner that court is reorganized and its powers more clearly defined by the constitution and laws, the better it will be for the people. If the citizens of Massachusetts and the subjects of Queen Victoria, instead of investing in Nebraska railroad stocks and bonds, had loaned the money to parties in the State of Illinois, without any agreement as to the rate of interest to be paid for its use, would the Supreme Court of the United States have listened to them in their contention that the law of Illinois which makes 5 per cent. the legal rate of interest in the absence of an agreement as to the rate to be paid, was unreasonable and deprived them of their property "without due process of law," and that they were "denied the equal protection of the laws"? Clearly, the court would have no jurisdiction, even

were the legal rate but 2 instead of 5 per cent. But it is merely a question of "reasonableness," why should the court not have jurisdiction in the supposed Illinois case as well as in the Nebraska case?

It is reported that Mr. Depew receives \$75,000 per year for his valuable services as president of the New York Central Railroad. If that is true, one may easily understand why he would object to any law that tends to cut down the *gross* receipts of the corporations.

While Mr. Depew's opinions were being aired by the public press, one Mr. H. P. Robinson published an article in *The North American Review*, in which he kindly forewarns the people as to what will follow as the result of the decision in *Smith vs. Ames*. Mr. Robinson has been described by the editor of the *Locomotive Fireman's Magazine* as follows:

"Mr. Harry P. Robinson is a gentleman of considerable repute. He is the president and managing editor of the *Railway Age*, which is perhaps the leading publication in the United States representative of the interests of owners of railway stocks and bonds, and also of the railway official class."

Mr. Robinson begins his article by saying: "The decision of the United States Supreme Court in what known as the Nebraska Maximum Rate Case, which was rendered on March 7th, 1898, promises to be the greatest value to the railways of the country especially in the Western and Southern States." Fro

me of the wild conclusions drawn by Mr. Robinson, and to which the reader's attention will be called later, it will appear that he has hopes that are destined to be blighted. Again, Mr. Robinson says: "It would be an incalculable blessing, both to the people and the companies, if the railway system of the United States could be treated as a national unit under Federal control only." It will be noticed that this great blessing is to come from "national control"—not ownership. If it were so that the corporations had only to deal with one set of government officials, doubtless matters would be simplified; but if the people take warning from the decision in the case of *Smith vs. Ames*, it will be some time before the States surrender the right to regulate their domestic affairs. If the people soberly reflect on what Mr. Justice Harlan said in delivering the opinion of the court, the decision will produce good results. "To be forewarned is to be forearmed."

Mr. Robinson boastingly informs the public that the taxes paid by the railroads amount to  $3\frac{1}{2}$  per cent. of their gross earnings, but fails to explain why railroads, taxed at all, should not pay taxes on the value of their property just as others pay. It will be seen in Table No. 4 that the corporations claim the total amount of their assets to be \$11,615,740,145. On this great amount of property the total amount paid as taxes the year 1896 was \$39,970,791, which is but  $\frac{34}{100}$  of 1 per cent., or, to put it in the shortest way,  $\frac{1}{3}+$  of 1

per cent. This would not be so bad a showing were it not for the fact that the corporations insist that they be allowed to earn enormous salaries for officers, together with interest and dividends on the alleged value of their roads. If the roads were restricted in their earnings to 5 per cent. on the actual value of their property the amount of taxes paid by them would be but little below that paid by the public. However, railroad should not be taxed at all, but, like all other public roads, should be exempt from taxation. (See chapter 7, on Taxation of Railroads.)

Mr. Robinson informs the public that the railroad question is finally and forever settled by the Supreme Court in its decision in the case of *Smith vs. Ames*, and that henceforth and forever any legislation attempting to fix maximum rates for the carriage of passengers and freight will be null and void in the following twenty-five States and Territories, to wit: Alabama, Arizona, Colorado, Florida, Georgia, Indian Territory, Iowa, Kansas, Louisiana, Michigan, Montana, Mississippi, Missouri, Nebraska, New Mexico, Nevada, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, Texas, Utah, Washington, and Wyoming. While Mr. Robinson does not say that in the following-named twelve States the legislation would be utterly null and void as in the above twenty-five States and Territories, yet he says that if the legislature of any of the twelve States attempts to cut down the present rates, the companies will have no difficulty in showing any such legislation to be plainly con-



fiscatory and unconstitutional. The States to which this information applies are: California, Delaware, Illinois, Kentucky, Maine, Maryland, Minnesota, Ohio, Tennessee, Virginia, West Virginia, and Wisconsin. Mr. Robinson does not mention the State of Indiana, but says there are only seven States within which legislation attempting to fix maximum rates might be permitted. He however prepares the people in these seven States for disappointment by giving them timely warning that it is questionable whether even in these States the Supreme Court would hold such legislation to be constitutional. The oracle then names Connecticut, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, and Rhode Island. Mr. Robinson's article in the *Review* is copyrighted, and cannot be published without the consent of the owners of the copyright, else it would find a place herein. The decision in the case of *Smith vs. Ames* was not a total defeat for the people. In the case of the Union Pacific Railroad, which was one of the roads connected with the suit, the corporation contended that because the road had been chartered by the General Government, which reserved the right to "alter, amend or repeal" the charter, the right to fix maximum rates, if it existed anywhere outside of the corporation, could only be exercised by the General Government, and not by a State. This contention on the part of the corporation was overruled by the court, which said that Congress not having exerted this power as it might have done under the terms of the charter, it remains with the

States through which the road passes to fix rates for transportation beginning and ending within their respective limits. The true reason is that Congress has no authority to interfere with the exercise of the police power by the States within their borders. The same question had recently been decided against the corporations in the case of *Reagan vs. Mercantile Trust Co.*, 154 U. S. 413.

On pages 547 and 548 of the 169th U. S. Reports, the court says that the conclusion reached finds support in the "Report of the Board of Secretaries" of the Nebraska Board of Transportation made in September, 1891, in which is contained "the statement that the railroads in that State could not be duplicated for a less sum than \$30,000 per mile." If the people of Nebraska rested their case on such testimony as that, they ought to have been defeated. An honest survey and measurement of every part of every mile of the railroads in the State of Nebraska will prove that they can be duplicated for less than \$16,000 per mile, including expensive terminals. It is more expensive and difficult to construct railroads in Texas than in Nebraska, yet in 1896 the 9,057 miles of road in Texas could be duplicated for \$15,731.01 per mile. In rendering his decision, Mr. Justice Harlan used the following language which seems incomprehensible to almost all persons acquainted with the facts:

"In our judgment, it must be held that the reasonableness or unreasonableness of rates prescribed by

State for the transportation of persons and property wholly within its limits must be determined without reference to the interstate business done by the carrier, or to the profits derived from it. The State cannot justify unreasonably low rates for domestic transportation, considered alone, upon the ground that the carrier is earning large profits on its interstate business, over which, so far as rates are concerned, the State has no control."

It seems almost impossible that the court should intend that the above language expresses. In 1896 Nebraska produced 298,599,638 bushels of corn, 19,390,02 bushels of wheat, 34,092,631 bushels of oats. Much of the corn is shipped to the Gulf ports, Kansas City, and Chicago; the wheat and oats are shipped to Kansas City and Chicago. The cattle and hogs raised in Nebraska are mostly shipped to Kansas City and Chicago. Thousands of car-loads of produce from all parts of the State are shipped by railroad beyond the State lines; and whether it crosses one hundred miles or one hundred feet, if it crosses the State line at all it enters interstate commerce, and according to this decision, while much of the freight-money is earned in the State, the Board of Transportation of Nebraska cannot consider that fact in fixing maximum rates. This ruling applies to the States in general, and therefore applies to the State of Kansas. In 1896 Kansas produced 17,734,004 bushels of corn, 30,794,452 bushels of

wheat, 23,808,759 bushels of oats. Kansas City, Missouri, is the market point for nearly all of the agricultural products of Kansas. The agents of the Kansas City merchants and traders buy grain, live stock and other agricultural products in every part of Kansas, to be delivered at the nearest railroad station for shipment to Kansas City. When delivered at the station it is paid for at the Kansas City market price, less the railroad freight and the cost of handling. Thus the freight and other expenses are paid by the Kansas farmer. The produce is shipped and hauled hundreds of miles over the railroads in the State of Kansas, and from a few hundred yards to two or three miles into the State of Missouri, and thus becomes "interstate commerce." The freights have been paid by the Kansas farmers, and the freight-money nearly all earned by the railroads within the State of Kansas; and yet, according to the rule laid down in *Smith vs. Ames*, these facts cannot be considered by the Kansas Railroad Commission in arriving at the aggregate earnings of the railroads within the State of Kansas, for the purpose of fixing maximum rates within the State. This rule is not based upon the letter of the interstate commerce law, but, like many other rules that are against the people and in favor of the corporations, it arises by the *construction* that is placed upon the law by the courts. To take into consideration the amount of earnings of the roads within the State of Kansas, on the interstate commerce rates fixed by the Interstate Commerce Commission, would

be regulating commerce between the States. The railroad commission in arriving at the aggregate earnings of the roads within a State, should not only have the right to take into consideration the earnings on all freight from any and all points within the State to the State line, but should also take into consideration any and all earnings on transcontinental freight, on the State's lines, that passes through the State, at rates fixed by the Interstate Commerce Commission. These freights are earned by the haul from or through the State as the case may be, and are therefore earnings of the roads within the State. If a portion of the freight is earned on transcontinental freight is not earned in the State through which the freight is hauled, where is it earned? It is clear that the Supreme Court needs the sanction of a plain, positive act of Congress on this point.

The most alarming proposition announced by the majority in *Smith vs. Ames* is in the following language:

We hold, however, that the basis of all calculations as to the reasonableness of rates to be charged by a corporation maintaining a highway under legislative sanction, must be the fair value of the property being utilized by it for the convenience of the public. And, in order to ascertain that value, the original cost of construction, the amount expended in permanent improvements, the amount and market value of its bonds and stock, the present as compared with the original cost of

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construction, the probable earning capacity of the property under particular rates prescribed by statute, and the sum required to meet operating expenses, are all matters for consideration, and are to be given such weight as may be just and right in each case."

Every man, woman and child in the United States knows that railroads were not constructed and that they are not operated "for the convenience of the public." They were and are constructed and operated for the sole purpose of getting the public's money, without regard to the public's rights in the matter. When expressed in plain language, the court says in effect: In fixing rates to be charged by railroads, the calculations must be based on the *fair value* of the road to which the rates are to apply. In other words, the rates must be such as to afford a reasonable rate of interest on the sum of money which expresses the value of the road. No honest man will object to that proposition, for the corporations are entitled to that measure of compensation on the value of the road. It is what follows that sentence in the decision that causes alarm and uneasiness in the minds of the people, to wit: "*and in order to ascertain that value, the original cost of construction, the amount expended in permanent improvements, the amount and market value of its bonds and stocks, the present as compared with the original cost of construction.*" If this language is to be "recorded as a precedent," then in truth the corporations had great reason

to rejoice when the decision was announced. The decision affirms the principle laid down by Mr. Justice Brewer in deciding the case in the Circuit Court, who there said :

"If it be said that the rates must be such as to secure to the owners a reasonable per cent. on the money invested, it will be remembered that many things have happened to make the investment far in excess of the actual value of the property : *injudicious contracts, poor engineering, unusually high cost of material, RASCALITY on the part of those engaged in the construction or management of the property.* These and many other things, as is well known, are factors which have largely entered into the investment with which *many railroad properties stand charged.* . . ."

"Now if the public was seeking to take title to the railroad by condemnation, the present value of the property, and not the cost, is that which it would have to pay." . . . "Nevertheless, the amount of money that has gone into the railroad property as the actual investment, as expressed, theoretically at least, by the amount of stock and bonds is not to be ignored, even though such sum is far in excess of the present value."

If in the fixing of rates the public is forever to be charged with the amount stolen by the original promoters and stockholders and their successors in interest, then the thieves who organized the "Credit Mobilier" "buildded better than they knew": they thought they

were stealing from the Government, but it turns out that they simply made a forced loan from the company and gave a perpetual mortgage on all the farms within the reach of the road for the payment of interest on the sum thus loaned to them. If the people of Nebraska had agreed with the stock- and bondholders of the corporation to be responsible for and pay interest on whatever amount the Credit Mobilier might see fit to withdraw from the treasury of the Union Pacific Company, (steal) or waste in unskillful management of the property, or that might be lost through the rascality of any of the road officials, then, and in that case, the above rule as laid down by both the Supreme and Circuit Court would seem to be all right. Every one of the present owners of the stock and bonds of the Union Pacific Railroad took the same with full knowledge of the stealings of the Credit Mobilier; in fact, some of them are the heirs of members of the corporation when the exposure was made. If the citizens of Nebraska are in no way responsible for the money that was wasted and stolen, why should they be taxed to repay the amount with interest?

It does not seem possible that the Supreme Court intended to say that while the little property owned by the poor man may year by year decrease in value and become less, that the property of the rich corporations is under judicial protection and will always be worth all that was lost and stolen in its creation; and yet that seems to be the only interpretation that can be placed



on its language. Thousands of farmers invested all the money they had in lands at war prices, and gave mortgages to secure deferred payments, more than thirty years ago, and have toiled for many years in trying to remove the incumbrance from their homes. Some have succeeded, only to find that the land they paid \$100 per acre for is now worth but \$40 per acre; others, oppressed by exorbitant freight rates and the total or partial failure of crops, have been unable to pay the interest on the mortgages, and have seen them foreclosed and the land sold for less than half they paid for it, while they and their families have been turned out of doors with a deficiency judgment against them. Just prior to 1873, when mining was the principal industry in many of the Western States and Territories, millions of money were invested in silver mines having large bodies of low-grade ore, that could be worked at a profit with silver selling at \$1.29 per ounce, the price paid by the Government at that time.

If anything could be said to have stability of price, it was silver, in those days. In 1873 silver was practically demonetized; the price went down until it got to such figures as precluded the working of thousands of the low-grade mines; the mines were shut down, and have never since been reopened. Hundreds of mills and smelters erected for the purpose of working the low-grade and rebellious silver ores were also forced to shut down, and were abandoned to the bats and owls, and what had been the homes of well-paid miners and

mill-men became the hiding-places of coyotes. Prices went down, and the people had to do the best they could, and submit to the inevitable. Thousands of ranchmen invested large sums in the business of raising horses and mules to supply the demands of stage and freight lines that at that time were running through all parts of the West. Horses and mules were then worth from \$100 to \$300 per head for use in stage and wagon teams. By the time the ranchmen got their business fairly started, a line of railroad came their way, and their horses and mules were hardly worth breaking; the heavy stages and freight-wagons that had cost from \$500 to \$1,000 each were not worth \$50 apiece. Expensive wagon-roads were built into the mountains to points at which sawing-timber could be gotten, saw-mills were bought and hauled into the country and up into the mountains at great cost; and when there appeared to be a fair prospect of getting back the money spent on the roads and saw-mills, along came a railroad and laid down the lumber in the valley for a less price per thousand feet than it cost to get the logs to the saw-mill,—and so the money spent on the roads and mills was gone beyond hope of recovery. Numberless other instances of the great fall in the value of different kinds of property will suggest themselves to the reader. The people who have suffered these losses through the depreciation in the value of property in general, are the same Western people who are accused by Mr. Depew of wanting to confiscate his patrons' property, simply be-

cause they do not want to pay \$166 per ton for steel rails when the market price is \$17 per ton. Railroads must be valued at just what it would cost to reproduce them to-day, and if the cost of materials and labor increases, the value of the roads will increase; if the cost of materials and labor decreases, the value of the roads will decrease. The organization of the great iron and steel "trust" will probably prevent the price of railroad materials from going lower in the near future.

If the amount and market value of the stocks and bonds of a railroad are to be taken into consideration in fixing its value, and the rates to be charged for the carriage of passengers and freight, then a road built in 1896 at a total outlay of \$16,666 per mile may at once fix such rates as will pay a reasonable interest—say 5 per cent.—on \$50,000 per mile; and in that case the stock and bonds of such road, if aggregating \$40,000 per mile, would at once be in great demand and sell at a premium over their face value, which in turn would justify higher rates of fares and freights on the road, in accordance with the decision in *Smith vs. Ames*, and these higher rates might pay 5 per cent. on \$100,000 per mile or 30 per cent. on the cost of the road, "which was constructed and is operated for the convenience of the public." There being no competing line near this road, the producers would be obliged to patronize the road, and if they tried to "confiscate" the property "used for their convenience" by demanding reasonable rates, it would at once be made plain to them that the

corporation was justified by the decision in *Smith vs Ames*, in taking "all the traffic will bear." Those who braved the dangers and endured the hardships of frontier life, with the hope of becoming the owners of valuable farms, find that all their labors and privations have been for the purpose of increasing the value of a railroad, "a public highway," that by public aid and private donations was constructed for the "convenience of the people," and that their land, while rich and productive is of little more value than the wild lands, because of the expense of getting their produce to market. Meanwhile, the value of the railroad is constantly increasing and the dividends are growing.

It will be seen by Table No. 4 that the corporations own \$600,786,616 worth of stocks, which are principally railroad stocks, and \$368,820,203 worth of bonds.

On page 50 of the Statistics of Railways in the United States by the Interstate Commerce Commission, it is shown that on June 30, 1896, the railroads in the United States owned \$1,101,235,551 of railroad stocks and \$400,111,363 of railroad bonds.

These stocks and bonds being under the immediate control of the corporations, they will have no trouble in fixing high quotations on them while working in connection with the stock brokers; and while doing this they will, under the decision in *Smith vs. Ames*, give themselves the right to increase rates and consequently dividends, and an increase in dividends will naturally give the stocks a greater value and the company the

right to increase rates. It will work against the people on the same principle that the colored gentleman's coon trap worked against the coons—it will “cotch 'em a-cumin' an' a-gwine.” When the effect of that decision is well understood, there will be no more worthless railroad stock on the market.

If the rule adopted by the Federal courts in *Smith vs. Ames* is law, it virtually makes what were heretofore worthless fiat stocks and bonds of a face value of more than \$6,000,000,000 a special public debt, the interest and principal of which must be paid by the producers of the country, and for that reason is a greater burden on the industries of the country than would be a regular increase of the public debt to that amount, the interest and principal of which would be paid by all the people.

It must have been in anticipation of some such ruling, that prompted the reorganization committee of the Union Pacific to announce their intention to stock and bond that road for \$236,000,000, when they had just paid about \$100,000,000 for it. If the original cost of construction is to be a basis upon which to fix rates, why should the present value of the roads be considered? On the other hand, if the rates are to be such as will afford a fair rate of interest on the value of the property, why consider the original cost? “INJUDICIOUS CONTRACTS, POOR ENGINEERING, UNUSUALLY HIGH COST OF MATERIAL, RASCALITY ON THE PART OF THOSE ENGAGED IN THE CONSTRUCTION AND MANAGEMENT OF THE PROPERTY,” as described by Mr. Justice

Brewer, added a great amount of cost, but no value whatever, to the property,—especially the amount expended in *poor engineering*, which to-day detracts from what would otherwise give a value to the roads. The poor engineering is still in evidence, and increases the cost of operation.

## CHAPTER 7.

**Taxation of railroads.**—Taxes are paid by the patrons of the roads: not one cent of tax comes from the stock- and bond-owners.—The burden falls most heavily on the producers, while the capitalists, bankers, bond- and mortgage-owners escape.—The principal part of the railroad tax is paid by the farmer.—Taxation of the roads greatly increases number of officers and clerks, and the operating expenses.—Taxation of franchises a fraud on the people.—How it gives the roads the right to increase their rates.

Railroads, when properly operated and controlled, have but one legitimate way of earning money, and that is by the carriage of passengers and freight, mails, express matter, etc.; all their earnings come directly or indirectly from the people. The people pay all the salaries of railroad officials, all the wages of other railroad employees, and all the operating expenses of the roads. The interest and dividends on railroad bonds and stocks are paid by the people. All taxes paid by the railroads to the States, counties, cities, towns and school districts are paid by the paying patrons of the roads, and the burden falls most heavily on those who pay the freights. In proportion to the value of his gross products, the farmer pays the highest rates of any shipper or producer in the United States. Table No. 22 shows that while the passenger traffic paid 23.18 per cent., the freight traffic paid 68.39 per cent. of the total earnings of the railroads in 1896; or, putting it in plain language, for every dollar that the roads received for carrying passengers, they received almost three dollars for

carrying freight. The products of the farm, such as cotton, wheat, corn, and other grains and seeds, cattle, hogs, horses, hay, fruit, and all other products of the land, are heavier and of greater bulk in proportion to their market price than any other class of freight, except coal and some of the low-grade ores that are shipped for reduction; and as to these two classes of freight, they are usually shipped at such rates as are never given to the farmer when he attempts to ship to the market point instead of selling to the local middleman, and consequently a larger proportion of the farmer's gross earnings are absorbed in the payment of freights than are those of any other class of producers. The prices of many of the products of the farm are made in Europe, and when the farmer sells at the home station the freight is deducted then and there, and the farmer has paid it. The prices of wagons, plows, and all kinds of farming implements and machinery are made at the factories; the farmer pays the factory price, the local merchant's profit, and the freight. When the farmer sells, others fix the price and the farmer pays the freight; when the farmer buys, the price is fixed by others and the farmer pays the freight.

How is it as to fares? Many people are under the impression that through passengers pay a large proportion of the fares collected by the railway companies; and that is true when applied to the unsettled or sparsely settled portions of some of the Western States and Territories, but when applied to all the railroad mileage of the country it does not hold good. During



the year ending June 30, 1890, there were 498,070,093 passengers carried on the railroads of the United States, of which number but 68,218,009 were through passengers, while 429,852,084 were local passengers. (See p. 593, part 1, Transportation by Land, Census of 1890.) These figures show that only 13.69+ per cent. of the passengers traveled on through passes or tickets. The through passenger gets reduced rates, while the local passenger usually pays full local rates; and it may here be permissible to say, that the through passenger who travels on a pass or at reduced rates is generally one of that class of persons who are best able to pay full fare. But however that may be, it is certain that the agricultural class pays its full share of railroad fares.

**TABLE No. 22.**—COMPARATIVE SUMMARY OF EARNINGS AND INCOME AND ANALYSIS OF EARNINGS FROM OPERATION FOR THE YEARS ENDING JUNE 30, 1896 AND 1895.

[From the Statistical Report of the Interstate Commerce Commission.]

Source of income.	Gross amount.		Proportion to total earnings.	
	1896. <sup>1</sup>	1895. <sup>2</sup>	1896. <sup>1</sup>	1895. <sup>2</sup>
			<i>Per ct.</i>	<i>Per ct.</i>
Passenger revenue.....	\$266,562,533	\$252,216,180	23.18	23.45
Mail .....	32,379,819	30,969,746	2.82	2.98
Express .....	24,880,383	24,284,508	2.16	2.26
Other earnings, passenger service .....	6,691,279	6,114,786	.58	.57
Freight revenue .....	786,615,837	729,993,462	68.32	67.88
Other earnings, freight service..	3,885,890	4,140,850	.34	.39
Other earnings from operation..	28,574,237	27,088,987	2.48	2.52
Unclassified.....	<sup>3</sup> 579,398	<sup>4</sup> 532,913	.05	.05
Total earnings from operation.	\$1,150,169,376	\$1,075,371,462	100.00	100.00
Income from other sources .....	129,024,731	132,432,133		
Total earnings and income.....	\$1,279,194,107	\$1,207,803,595		

<sup>1</sup>181,982.64 miles of line represented.

<sup>2</sup>177,746.25 miles of line represented.

<sup>3</sup>Covers twelve roads making no classification of earnings under the several heads.

<sup>4</sup>Covers seven roads making no classification of earnings under the several heads.

In giving the average passenger and freight rates per mile in the United States, the corporations count the whole number of passengers carried, including all who travel on passes; and the total number of tons of freight carried, including deadhead freight, is included in their calculations. Consequently, the figures cannot be correct when applied only to those who pay regular rates. It is said that about one-quarter of the passengers travel on passes and special rates, and that many thousands of tons of freight are deadheaded or carried on special rates.

The following clipping from the *Kansas City Journal* of September 12, 1898, tells the story in few words:

**"BIG BUSINESS IN SIGHT—CROPS IN THE WEST SHOW AN ENORMOUS TONNAGE OF FREIGHT TO BE HANDLED.**

"In spite of market rumors, there is no doubt that taking the crops of the West as a whole, there is a larger traffic now in sight for the railways than has been visible at any time since 1891. Almost all crops seem to be curiously irregular, the condition varying widely in closely adjoining sections, but the aggregate result is undoubtedly immense, and a tremendous tonnage will be handled and enormous revenues earned if the customary rates are maintained."

In collecting the revenue above referred to, the rates imposed are based upon and cover the cost of operation, and the amount necessary to pay interest, dividends, and taxes. If only operating expenses and interest and divi-

dends were to be paid, the rates would necessarily be lower than at the present time. If only operating expenses and a fixed interest on the present value of the roads were to be paid, rates would be very much lower than they now are. In other words, when the roads are properly controlled, as they can be, every excuse for maintaining high rates that is taken away from the companies will result in lower rates. It would be unjust to tax the roads and not allow them to earn the money with which to pay the taxes. In the year 1896, as has been shown, the railroads paid in taxes the sum of \$39,970,791 in the different States and Territories. This money did not come from the stock- and bond-owners; it never reached them. It came directly from the pockets of those who paid the fares and freights. It did not come from the money-lenders, and the owners of city property. It nearly all comes from the producers of the country. The higher the railroad taxes, the lower the taxes of the money-lenders—the owners of brick, stone, and marble buildings, and the owners of the mortgages on the farmer's lands. If the railroads were taxed enough to run the States, counties, cities, and townships, then those who patronize the roads would in fact pay all the taxes, who now, besides paying the railroad taxes, are also required to pay the same rate of taxes on their own property that is paid by those who do not pay their proportion of railroad taxes. But suppose that the railroad taxes fell equally upon every property-owner in the State, still, taxing the roads would be a useless and very

expensive piece of mismanagement on the part of the people. Nearly every road is forced to maintain a department, under the control and management of a large number of officers and clerks, known in railroad circles as the "Tax Department," at a cost of many thousands a year, amounting in the aggregate to millions of dollars, which are part of the "operating expenses" of the roads; to say nothing of the expensive law suits, and proceedings before boards of equalization, penalties imposed, etc., etc.—which all go into, and are called "operating expenses," and are paid by the people who pay the fares and freights. Railroads are public highways, and there is no more reason for taxing any kind of property that is necessarily used in the operation of them than there would be in taxing the State and county wagon-roads. Railroad lands that are not used as right-of-way, or for terminal or other purpose in the actual operation of the roads, should be taxed the same as the lands of private persons. The lands were granted to the corporations to aid them in the construction of their roads, and not for speculative purposes: they should be compelled to sell them when offered the price at which adjoining lands of the same quality are selling; at all events, the taxes on those lands should not be charged up as operating expenses and paid by the people, for the reason that the people have no interest whatever in them, and are in no way benefitted by them.

California and some of the other States have in their State constitutions provisions for the taxing of railroads

and their "franchises." Of all the schemes ever devised by the cunning of man for the purpose of wrongfully getting the people's money away from them without running the risk of being prosecuted for larceny, that of taxing the franchise of a railroad or any public corporation is probably the simplest, and at the same time altogether the safest. Morawetz defines the word franchise as follows :

"The word franchise is generally used to designate a right or privilege conferred by law. Thus, when the legislature grants a charter of incorporation, it confers upon the grantees of the charter the right or privilege of forming a corporate association, and of acting within certain limits in a corporate capacity ; and this right or privilege is called the corporate franchise. It is conferred upon the individual grantees, together with such other persons as may become members of the association, either by a transfer of the shares and substitution in place of prior members, or by the creation of new shares, which the legislature has authorized the company to issue. Sometimes charters of incorporation confer additional rights which do not pertain to the formation of the association ; as, for example, the right to take private property under the power of eminent domain, or the exclusive right of establishing a ferry and charging tolls. These rights are also called franchises."

(Morawetz on Private Corporations, sec. 922.)

"A franchise granted by the State with a reservation of a right to repeal, must be regarded as a mere privi-

lege while it continues, and the legislature may recall it at any time without affording any ground to claim redress."

(Cooley's Const. Lim., p. 384, 1st ed., 1868.)

A railroad franchise is not the right-of-way, nor the road-bed, nor the cross-ties, nor the rails, nor the rolling stock, nor any or all of these physical parts of a road: it is simply the permission given by the State to certain parties and their associates and successors in interest to construct the road, and, if necessary, to exercise the power of "eminent domain" in obtaining a right-of-way through private lands, when the owner refuses to sell at a reasonable price. The power of eminent domain is exercised by commencing and prosecuting a suit against the owner who refuses to sell, or to sell at a reasonable price, the land that is shown to be necessary for the construction of the road under the provisions of the company's charter. The court hears the evidence, fixes the price of the land, and damages, if any, are awarded to the owner; and upon the payment of the price of the land and damages, gives the company the right to enter upon and construct a railway across the land. Private property can be taken under the power of eminent domain only for a public purpose. How then can the railroads be said to be the private property of the corporations? The franchise costs nothing; it is given by the State to the grantees for the purpose of aiding them in the construction of a railroad. The franchise is no part of the road; its existence is

established and complete, before a pick has been struck into the ground for the purpose of commencing the grading of the road. Why should this gift from the people be turned into a means for taxing them? It is the people's fault that puts it in the power of the corporation to use the franchise for the purpose of extorting money from them. In their eagerness to tax everything connected with the road, the people get a few thousands of dollars as tax on the franchise, which they pay themselves, and for that privilege they pay about ten times as much to the company for its benefit. When valued for the purpose of taxation, the value fixed upon the franchise by the State authorities immediately attaches itself to and becomes a part of the value of the road, by giving it, in addition to its right to earn a reasonable income on its own value, the right to also earn a reasonable income on the value of the franchise as fixed by the State authorities for the purpose of taxation; and this may result in an increase of rates. When the producers ask for lower rates, the corporations answer that the rates are already as low as they can be made and enable the road to earn operating expenses and a reasonable income on the value of the railroad property. The reply is:

"Your road is worth but so much per mile," giving the value of the physical property of the company.

"That may be true," says the corporation; "but you have overlooked the value of our franchise, which for the purpose of taxation you have valued at \$3,000,000;

that is about one-third of its actual value, which is about the same proportion at which you value private property for taxing purposes. Our franchise is worth \$9,000,000, upon which we are entitled to a gross earning of 12 per cent."

The railroad commission of the State attempts to lower the freight rates. The corporation, having been organized under the laws of another State, is a foreign corporation, or it has stockholders who are citizens or subjects of some other State or country, and are therefore entitled to sue in the United States courts. Suit is commenced in the Circuit Court of the United States; a temporary restraining order is granted, and after some months the case is tried. The railroad people take the stand, and to a man swear that the road and franchise are worth \$57,000 per mile. Every man in the courtroom knows in a general way that the road is not worth one-third of that amount per mile, but none who are friendly to the State know it in a way that will make their knowledge admissible as evidence in the case. The State never having according to law placed a true valuation on the road, it is not prepared to offer the testimony of expert engineers who have measured every physical feature of the road and are prepared to give the facts and figures to the court, and to swear to the actual value of the property; consequently the road is granted a decree as prayed for, and the injunction is made permanent. The State not only pays the costs and the fees of its own attorneys, but as the fees and expenses of the



railroad attorneys and the expenses of the railroad officials are "operating expenses," the people pay them also. By taxing the franchise on a valuation of \$3,000,000, the State probably gets about  $2\frac{1}{2}$  per cent. on that amount, which would be \$75,000 paid by the road as tax on its franchise. For the purpose of fixing rates the corporation values its franchise at \$9,000,000 and makes the rates such as will insure 12 per cent. gross earnings on the value of the road and franchise, which on the value of the franchise will amount to \$1,080,000 per year,—a balance of \$1,005,000 in favor of the road,—and the people have paid \$1,080,000 for the privilege of getting back \$75,000. The figures will differ in each State, but the result will be similar wherever the franchises and railroads are taxed; and the producer in the end pays all.

## CHAPTER 8.

Government ownership of railroads.—Hadley's opinion.—W the plan.—Mistaken ideas concerning rates under Gov ownership.—Advantages that would follow.—Disadvanta would come with Government roads.—“Red-tape rules number of Government officials.—Danger to the Republic pation of power belonging to the States.—Require inc army.—Great increase in number of Federal judges.—] “Trusts” and “Combines” in securing new roads.—Gov management of inland waterways.—How corporations destroyed steamboat navigation on Western rivers.—Great in the number of steamboats.—Extent of Government ov of railroads in the world.

A late writer on the subject of “Railroad Tr tation ” says as follows :

“There is a strong popular feeling, to a large unsuspected by those in authority, in favor of G ment ownership of railroads as a system. No o have much to do with the more thoughtful worki without finding how strong that feeling is, and hopes are based upon it. The fact that the ques not more under discussion, must not blind us fact that forces are at work which may prove revolutionary, when the question actually does co under discussion. If it be true that Governme road ownership would be a most serious misfortu the United States, we must be prepared to me danger with our eyes open. Unless we are able t

: intelligently, and to show reason for our action, the widespread feeling in its favor will prove too strong for us. It may not come for many years, but the lessons of the Granger movement show plainly enough what forces will lie behind it when it does come."

("Railroad Transportation." Hadley, p. 258.)

The above is quoted by the Interstate Commerce Commission in its Report for 1894, on p. 234. Mr. Hadley is undoubtedly right in saying that a good many of the people favor the plan of Government ownership of the railroads of the country; but that this opinion finds its largest support among the farmers, as Mr. Hadley intimates, is by no means certain. It does not necessarily follow, that because the farmers of the country are dissatisfied with the present management of railroads, therefore they are in favor of Government ownership. What they want is a change in rates that will allow them some profits on the cultivation of their lands. The various means that might be adopted in order to do justice to all parties have not been fully presented to the people for discussion. Certain classes who are always ready to pronounce judgment on any question whatever, from one arising out of a domestic dog fight up to the most intricate and involved questions of international law, are loud in their demands for Government ownership of the railroads; and no doubt if their desires in that respect were granted, they would be the very first to appeal to high Heaven for protection against the attendant evils that would necessarily

come with Government ownership. Many of the advocates of Government ownership declare that under such a regulation they would be carried in a Pullman car from New York to San Francisco for one dollar. They talk as if the magic letters "U. S." on the side of the car and tender would make the locomotive draw the train without the use of fire, coal, water, or oil. To hear them talk about the cheap transportation the people would have if the Government owned the roads, one must conclude that Government ownership would prevent washouts, blizzards, and snow blockades, and that ties, rails and rolling stock from wearing out; that trestles would never become rotten, and bridges never need repairing nor rebuilding, if only they were branded "U. S." Undoubtedly Government ownership of the railroads would do away with many of the evils of the present management, such as official salaries of from \$25,000 to \$75,000 per year; oppressive rates; unjust discriminations against people and places; the injustice of letting about one-fourth of the passengers ride in first class passes, at the expense of the other three-fourths; and it would redress many other crying evils of the present management: but greatest of all, it would prevent to a large extent the bribing and corrupting of the executive, legislative and judicial servants of the people. Government ownership would prevent these evils above set forth, it should be adopted, unless its adoption would bring as great or greater disadvantages to the people.

The following would be some of the evils attending Government ownership and operation of railroads: First, it would bring with it the red-tape rules that are so distasteful to the people, and which prevail in all Government business, and would necessitate the employment of innumerable agents between the shippers and the Government, in the settlement of any differences that might arise between them. It would at once transform every railroad official into a Government officer, and would segregate nearly one million Government officials and employees from the people and put them on a footing similar to that of the regular army, and yet leave with them the right to participate in the local and general elections as electors; but, unlike the regular soldier, their employment might be made to depend upon their political preferences. The 826,620 railroad employees, added to the 71,022 postmasters and the number of incumbents of other positions filled by Federal appointment, would amount to about 1,000,000 persons, nearly all of them being voters; and this number will constantly increase as the population of the country increases. In the last nineteen years the miles of railroad and the number of railroad employees have more than doubled in the United States. Government control of all telegraph lines is now seriously advocated, which if accomplished would bring about 150,000 more employees, about two-thirds of whom are voters, under the Federal appointing power. With such an enormous number of places to be filled by the President of the

United States, or by those who are indebted to him for the positions they hold, it would be quite easy for the President to secure a re-election,—especially if the national committee of his party were so fortunate as to select an able business man to act as its chairman. It is impossible to foretell what will happen in the future. This country has already produced its Benedict Arnold. Suppose some ambitious man who had occupied the Presidential chair for two terms had during that time made all his appointments and arranged his plans for remaining at the head of the Government as military dictator or otherwise: what a vast advantage would the absolute control of all the railroads and telegraph lines give him! Why put the eggs all in one basket? But suppose the “man on horseback” does not come,—still the control of the public highways of a State by the General Government would be usurpation of power which belongs to the State, such as was never anticipated by the people when they adopted the Constitution of the United States. This is an advanced step in the direction of the centralization of power that the people should be cautious about taking.

The Constitution of the United States, in section 4, article IV, reads as follows: “The United States shall guarantee to every State in this Union a republican form of government;” which means that each State must maintain a separate and complete republican form of government in the full sense of the provision. What kind of a republican form of government would it be

with the Government at Washington exercising the police power of the State, in time of public peace and domestic tranquillity? That the Government owned such a vast amount of property in every State and Territory would be a plausible pretext for a great increase in the regular army. It would be thought that much of the Government property required an armed guard, and soldiers would be stationed at every town of any considerable size. When a citizen wanted to ride on the train, he would be obliged to run the gauntlet of a lot of armed guards. Every offense or misdemeanor committed on the railroad premises would require trial before a Federal court. There would be a great increase in the number of Federal Judges. There would be a constant conflict of authority between the State and the Federal courts, or the State would be relegated to its original position of a Territory. At the present proportion of miles of railroad to the number of inhabitants, when the population of the country reaches 150,000,000 of people there will be 500,000 miles of railroad, and as the population increases railroad mileage will increase, and consequently the number of railroad officials and employees will increase in proportion thereto: and are all these vast arteries of commerce, the very life of trade and prosperity, to be placed in the power of one man and his little clique of political godfathers and advisers? The people would "better bear the ills they have than fly to others they know not of."

If the people should conclude to adopt United States ownership of the railroads, the construction of roads by private enterprise would cease at once, for the reason that corporations could not make their bonds and roads non-taxable, as both would be under United States ownership; and for that reason no corporation could compete with Government rates. The people having given the General Government sole control of inland transportation and the construction and operation of the roads, State authority to construct or operate roads would be forever gone, and if any new roads were thereafter constructed it would have to be done by the General Government. As the population of the country increases, the necessity for new lines of road will arise. "Watchdogs of the treasury" may object to the spending of any money that their constituents have no chance of handling; and as an appropriation will be necessary before even a preliminary survey can be made, it might be extremely difficult to get new roads that the commerce of the country demanded. However, should Congress consent to the appropriation and pass the bill for that purpose, the President and his advisers might think that the road provided for, if built, would be in a "badly regulated municipality," or that the proposed line would help to develop the resources of an "undesirable State," and so "veto" the bill. Even should the railroad corporations cease to exist, all other kinds will probably continue to do business. Political contributions will be needed for some years to come, and as a



result, coal, iron, oil and other trusts and combines would probably be able to get new roads, for the purpose of "developing our home industries" in their particular neighborhoods, when the farmer and small manufacturers could not get their demands for a new road seriously considered.

Thirty years ago the United States Government owned and controlled the finest system of inland waterways in the world. The steamboat whistle was heard at all points on the Mississippi and Missouri rivers, from the Gulf of Mexico to Fort Benton, Montana. Travelers on the great rivers were rarely out of sight of the smoke of rival boats. Freights and fares were low, because there was competition. Anyone who could raise the necessary amount of money could construct and operate a boat on equal terms with the richest corporations. There was no way in which the corporations could control the carrying trade on the rivers; a combination of capital could not secure a monopoly of water transportation; and the only way in which the carrying trade of the country could be monopolized was by destroying river navigation and building railroads. The corporations have most effectually destroyed river navigation by the following means: First, they have prevented sufficient appropriations for the improvement of the rivers. Second, they have procured Government license for bridging the rivers at innumerable points, thus rendering the navigation difficult and dangerous for large boats and fleets of barges laden with grain and other

agricultural products. Third, for the purpose of driving steamboats from the rivers, lines of road paralleling the rivers have cut rates below operating expenses, for the sole purpose of getting the freights and passengers that would otherwise have gone by boat, and have made up their losses therein by charging extortionate rates to those on their lines who are forced to patronize the road. The opposition being disposed of, old high rates will in all cases be resumed. On the Mississippi and Missouri rivers and their tributaries, during the four years 1879, 1880, 1881, and 1882, there were 849 boats built, having an aggregate tonnage of 212,001 tons. During the four years 1893, 1894, 1895, and 1896, on the same rivers 342 boats were built, having an aggregate tonnage of 42,542 tons. (See page 377, Statistical Abstract of the United States for 1896.) The annual appropriations by Congress for the improvement of the rivers do not amount to one-fiftieth part of the sum annually paid by the people for the maintenance of the railroads. River navigation, except as to a little local business where there happens to be no railroad and consequently no bridge, will soon be a thing of the past. The floating palaces of the great Western rivers have been driven from the waters by the railroad corporations, who are now operating their roads for the "convenience of the public." In the destruction of river navigation we have a costly example of what the General Government can and will do at the bidding of the trusts and combines.

Many honest and well-meaning men are dreaming of the golden days of socialism that will come when the Government owns and operates the railroads and all other public works. They will yet awaken to the fact that we have for years been rushing at breakneck speed in the direction of imperialism. It is often argued that because some of the foreign governments own and successfully operate a portion of the railroad mileage within their limits, the Government of the United States could do the same thing. The advocates of such a policy forget that there are many considerations which would prevent Government ownership from being a success in this country, even though it may be so in the countries in which it has been adopted. No other government in the world is composed of a great number of sovereign States having the rights and powers that belong to the States of this Union; the exercise of which is necessary to the existence of the States and of the Union itself. The most essential of these rights reserved by the States are the right to exercise the police power of the State, and the sole right to regulate its domestic affairs, which the Government ownership of railroads would in a large measure prevent. This Union was not formed with the design of giving the General Government the right to interfere in any manner with the internal affairs of the States. To give it that power would take away the right of self-government, and give to the people living in one section of the country the right to prescribe the local rules of conduct

that shall govern those living in another and distant State of the Union. Should we now adopt such policy in the Government ownership of railroads, an excuse would soon be found for extending Government interference to other matters pertaining to local government. The experiment would be an exceedingly dangerous one. No other government has one-sixth as much railroad mileage as there is in the United States.

Table No. 23, taken from the Report of the Interstate Commerce Commission for 1894, shows the extent of Government ownership in railways in all parts of the world. (See next page.)

**TABLE No. 23.—A TABLE SHOWING TO WHAT EXTENT GOVERNMENT OWNERSHIP AND OPERATION OF RAILWAYS OBTAINS IN THE PRINCIPAL GOVERNMENTS OF THE WORLD.**

[ From the Report of the Interstate Commerce Commission. ]

Country.	Year.	Total mileage.	Mileage owned by State.	Mileage owned by private companies.	Mileage operated by State.	Mileage operated by private companies.
Africa	1893	8,053	620	7,433	620	7,433
Asia	1893	12,060	10,619	2,041	10,619	2,041
Austria-Hungary	1893	17,619	7,044	10,575	12,923	4,696
Belgium	1893	2,810	2,018	792	2,018	792
Bombay	1892	6,375	1,700	4,675	1,700	4,675
Brazil	1892	14,588	1,459	13,129	1,459	13,129
British Good Hope	1892	2,444	2,252	192	2,252	192
Canada	1892	1,715	685	1,030	685	1,030
China	1894	240	.....	240	.....	240
Czechoslovakia	1892	1,289	992	297	992	297
Denmark	1892	1,225	1,225	.....	1,225	.....
France	1893	121,618	13,652	17,966	3,652	17,966
Germany	1892	26,971	23,848	3,123	24,144	2,827
Greece	1893	20,325	.....	20,325	.....	20,325
India	1893	568	92	476	.....	568
Italy	1894	126	30	96	30	96
Japan	1891	1,630	873	757	.....	1,630
British India	1893	18,042	12,028	6,014	12,028	6,014
China	1890	8,106	5,272	2,834	.....	8,106
France	1891	1,221	55	1,166	55	1,166
Germany	1893	6,900	.....	6,900	.....	6,900
Italy	1894	122	122	.....	122	.....
Japan	1893	971	929	42	929	42
Spain	1893	156	.....	156	.....	156
Sweden	1893	950	.....	950	.....	950
Switzerland	1891	1,334	505	829	505	829
United States, including Alaska	1891	19,640	8,003	11,637	8,003	11,637
France	1893	6,708	.....	6,708	.....	6,708
Germany	1892	5,254	1,770	3,484	1,770	3,484
Italy	1892	2,082	.....	2,082	.....	2,082
Japan	1892	904	.....	904	.....	904
China	1892	974	.....	974	.....	974
United States	1893	176,461	.....	176,461	.....	176,461
France	1893	993	.....	993	.....	993

includes 1,957 miles of local interest.

includes 96 miles, owned jointly by State and private companies.

RE.—Where information of the apportionment of mileage operated between State and private companies could not be obtained, it has been assumed that the State operates the mileage which it owns.

## CHAPTER 9.

State control of railroads.—Objections offered to the plan.—Answers to objections.—How State control can be exercised.—Valuation of roads.—Net earnings to be restricted to a certain per cent. on value of road.—State to control railroad bookkeeping.—Disposition of surplus earnings.—Passes only to certain railroad employees.—Special rates should be abolished.—Tickets should be good at any time after purchase.—Traffic, Passenger and Freight Associations should be abolished.—Number of general officers should be reduced.—Officers' salaries should be restricted to certain amounts.—Scientific press on Texas Railroad Law.—Defects in Texas law.

If there are other and safer plans than Government ownership, by which the present evils of railroad management may be corrected, should they not be adopted? One of these plans is State control, another is State ownership of the roads, both of which are objected to by the advocates of both United States control and ownership. A number of reasons against United States ownership are stated in Chapter 8. The very fact that the corporations want Congress to have entire control of railroad legislation, ought to be a sufficient answer to the advocates of Federal control without ownership. Many writers and speakers on the railroad question, who are in favor of United States control, are opposed to State control in any manner, for the reason, they say, that the States could not be trusted to regulate the reciprocal rights and duties of the people and corporations within their jurisdiction. It is admitted that some who

crawl into State offices are corrupt, but the question arises, Should we get any better results from a combination of such patriots in Congress? If the people of the separate States cannot be trusted to regulate their domestic affairs, what section of the country is it that furnishes the honest, capable men for Congress, the Senate, and the Supreme and other Federal courts, that can be trusted by the corporations? Mr. Depew charges the people of the Western States with wanting to confiscate his employers' property. Would he be willing to trust the representatives and partners of Eastern stock-gamblers, monopolists, and the organizers of trusts and combines to do strict justice between their friends and partners and the Western farmers? The citizens of the States are also citizens of the United States. Is it probable that they would be more honest in their capacity of citizens of the United States than as citizens of the State? It is likely that the reason the corporations object to State legislation is because a visit to the State capital of a Western State during the term of the legislature by some of the corporations' most eloquent and persuasive after-dinner speakers, would be at once noticed and commented on, while the same flowery talkers might run over to Washington during the session of Congress, and make known to friendly Representatives and Senators the corporations' desires in certain matters, without attracting much attention, or being seen by any one except those they went to see.

Another objection offered to State control is, that no

two of the States would adopt the same laws, and that the just laws of one State on the subject of public transportation might not insure to its people full relief, by reason of the people of an adjoining State taking advantage of their low rates, and at the same time refusing to adopt similar laws, and that under State control the rates in no two of the States would be the same. The answer to the last objection is, that under Government control the rates could not be the same in all the States without being unjust to some of them. The value of railroads will differ somewhat in each State, from that in any other State. The rates should be based on the value of the road and the volume of business transacted by it, in order to insure just enough earnings to pay the expenses of operation and the interest on the value of the road. To argue that the people of some of the States would refuse to enact just laws for the control of the railroads, is to say that the people of those States would rather pay 12 than 6 per cent. interest. The danger would be in the opposite direction: each State would attempt to fix the lowest possible rates, and by so doing get them too low to pay the expenses of operation, and the interest on the value of the roads.

State control that would do full justice to the owners of the road and to the public, could be accomplished in the following manner:

The Legislature of each State should enact a law similar to that of the State of Texas, providing for the valuation of all the railroads in the State by the State Railroad



Commission; the value of the roads to be ascertained by the employment of expert engineers, giving the owners of the road the right to appear and object to the value so fixed by the Commission, and in case of such objection being made, to at once proceed by due process of law to settle the question of the value of the road. Each road should be valued at the full amount it would cost to duplicate or reproduce it at the time the valuation is placed on it. This would not be difficult for a skilled engineer to do; the excavations and embankments are there, and can be measured to a cubic yard; the bridges and trestles and tunnels and every physical feature of the road can be measured and its value ascertained; and if accurately reported, a dispute as to the amount would avail nothing to the corporation,—the court could have it measured by an unprejudiced engineer. Everything necessary to the operation of the road should be given its full present value.

The actual value of the roads having been ascertained, the amount that may be earned as interest on that value besides paying operating expenses, should be fixed by law, and if the net earnings exceed the amount allowed as interest, the surplus should go into a sinking fund, the property of the State, to be used in a further reduction of rates, or for the purchase of the road, should that become necessary on the part of the State.

In order to know the exact cost of operating the roads, the law should require duplicate pay-rolls, and a monthly statement of all shipments and receipts of

freight; an account of all tickets sold and passes issued; of all moneys received and paid out on account of repairs, betterments, and supplies, or otherwise, to be made by all the roads to the State Railroad Commission. A failure to make such report should be punished by fine and imprisonment of the person required to make it.

No one should be allowed to ride on a pass except railroad employees whose employment requires them to go from one point to another on the line; the use of a pass by any other person should be made a misdemeanor, and in the case of a public officer, sufficient cause for removal from office.

Special rates should be abolished, except for the purpose of attending local celebrations, and in such cases should be limited to a few days. All other special rates having been abolished, a regular ticket once bought and paid for should entitle any legal holder to ride on it at any time thereafter.

Taxes should be abolished on every kind of property owned by the company which is necessary to the maintenance and operation of the road and is kept solely for that purpose.

A liberal interest should be allowed on the value of the property as ascertained and fixed by law. When the United States asked for bids on \$200,000,000 of 3-per-cent. bonds, bids amounting to the sum of \$1,300,000,000 were received by the Secretary of the Treasury. This fact is strong evidence that capital is looking for permanent, safe investment at 3 per cent.

interest. It may be suggested that patriotism prompted the people to subscribe to the loan,—and that might be true when applied to the bids from *Wall Street*, but the working-people wanted the bonds because they are regarded as absolutely safe; and besides being exempt from taxation, it is certain that the interest they bear will be paid when due. Railroad bonds are taxed if the owner reports them to the assessor for that purpose, and therefore these bonds should bear a higher rate of interest than is paid by the Government. Each State would fix the rate of interest to be paid on the value of the roads within its jurisdiction, which would probably be about 5 per cent.; and that would be enough, for under proper State control, railroad bonds would be as safe as Government bonds, and if they returned 5 per cent. interest would be in much greater demand than the United States 3-per-cents.

Mr. Robinson in his able article in the *North American Review*, before referred to, while speaking for the corporations and the bond and stock-owners of the roads, contends for 6 per cent. interest, and says:

“A road which earns \$8,000 a mile, gross, can operate and pay taxes and then have 6 *per cent.* left on \$40,000 a mile. That is not a condition that permits of extravagance; because no road running through a region sufficiently populated to produce \$8,000 a mile, gross, can have cost less than \$40,000 a mile to build. But such a road should keep solvent.”

Mr. Robinson fails to tell the public what possible influence the population of the region can have on the number of cubic yards of earth or rock that must be moved in grading the road-bed, or on the number, length and height of trestles and bridges that must be built in the construction of the road. A densely populated region is usually a comparatively level one, through which the building of a railroad would not be expensive. It is true that in a thickly settled country the right-of-way, which is at most but 12+ and is frequently but 9+ or 6+ acres per mile, if not donated (as it usually is) would cost a little more than in a new country, and the same of lands for terminal facilities, and there would be a few more depots and a little more rolling stock required in the thickly settled region than in the new country; but all these increased costs could not amount to more than \$5,000 per mile on a road of any considerable length.

It will be seen in Table No. 14 that the net income from operation alone in 1896 was \$377,180,332. It appears from Table No. 12 that the total present value of all the roads is not more than \$4,837,558,512, on which amount 6 *per cent.* interest, amounting to the sum of \$290,253,510, could have been paid out of the net earnings for 1896, and have left to the producers of the country the sum of \$86,926,822. Under proper management the people could pay 6 per cent. interest on the present value of all the roads, pay the laborers on the roads much better wages than they now get, and re-

duce the present rates one-half. All traffic, passenger, and freight associations should be abolished. The law should reduce the number of "general" and "other" railroad officers, and restrict their salaries to about the amount now paid to United States, State, and county officials. No railroad president should receive a greater salary than is paid to the Secretary of State, or of the Treasury of the United States. Men whose families are thinly clad in the winter season help to pay these \$50,000 and \$75,000 salaries to railroad presidents, and all other extortionate salaries received by railroad officials. Little children go hungry and shiver in the winter wind, in order that "the many parasites on corporate management," spoken of by the Interstate Commerce Commission, may live in palaces and travel in Europe. Men living in sod houses in Nebraska, Minnesota, and the Dakotas, helped to pay the expense of rebuilding and refurnishing Blenheim castle. The people themselves are to be blamed, if they continue to submit to the imposition and extortion that has so long been practiced upon them by the agents of these "artificial persons" called railroad corporations.

All railroads in the construction of which the corporations received private donations or exercised the power of eminent domain, are public highways, and, regardless of charter or other provisions, are subject to State control. The highest court of the country has many times affirmed that right as belonging to the States.

"It is now settled in this court, that a State has power to limit the amount of charges by railroad companies for the transportation of persons and property within its own jurisdiction, unless restrained by some contract in the charter or unless what is done amounts to a regulation of foreign or interstate commerce. This power of regulation is a power of government continuing in its nature, *and if it can be bargained away at all*, it can only be by words of positive grant or something which is in law equivalent. If there is any reasonable doubt, it must be resolved in favor of the existence of the power. In the words of Chief Justice Marshall, in *Providence Bank vs. Billings*, 4 Pet. 514-561, its abandonment ought not to be presumed in a case in which the deliberate purpose of the State to abandon it does not appear."

(Chief Justice Waite, in delivering the opinion of the court in *Stone vs. Farmers Loan & Trust Company*, 116 U. S., p. 307.)

It will be noticed that Chief Justice Marshall was speaking of the right of the State as applied to a banking corporation, not as to a public highway. Chief Justice Waite strikes the keynote when he says, "*AND IF IT CAN BE BARGAINED AWAY AT ALL*," which plainly indicates that he doubted that the State could bargain away the right.

Says Mr. Chief Justice Fuller :

"The governmental power of self-protection cannot be contracted away, nor can the exercise of rights

granted, nor the use of property, be withdrawn from the implied liability to governmental regulation in particulars essential to the preservation of the community from injury." And also that "A power reserved to the Legislature to alter, amend, or repeal a charter authorizes it to make any alteration or amendment of a charter granted subject to it, which will not defeat or substantially impair the object of the grant, or any right vested under it, and which the Legislature may deem necessary to secure either that object or any public right." . . .

"The conclusions of this court have been repeatedly announced to the effect that though railroad corporations are private corporations as distinguished from those created for municipal and governmental purposes, their uses are public, and they are invested with the right of eminent domain, only to be exercised for public purposes; that therefore they are subject to legislative control in all respects necessary to protect the public against danger, injustice, and oppression; that the State has power to exercise this control through boards of commissioners."

(New York & New England R. R. Co. *vs.* Bristol, 151 U. S. 556.)

The following extracts show the opinion entertained of the Texas railroad law by two of the leading scientific journals of the world devoted to civil engineering and the construction of railroads, etc., etc. The first extract is from the *Engineering News and American Railway Journal* for April 23, 1896. This journal is

in high standing throughout the United States and in Europe:

“As a matter of fact, after a careful examination of the last report of the Texas Railway Commission, we are constrained to believe that this bad name is undeserved. If the attitude of the State towards the railways is correctly set forth in the Commission’s report, we are free to say that the position is economically and politically correct, and that other States and State Railway Commissions can profitably study the work that has been done in Texas.

“It may be said at the outset, that the Texas Commission has attempted a task which has never been attempted before anywhere, and that is to base railway rates upon the cost of service. The position of the Commission is that the railways are entitled to charge rates high enough to return a fair rate of interest on the actual value of their property, and no higher. By value is meant not the par value of outstanding stocks and bonds, nor the amount of money which has been actually spent and charged to capital account; but it is what the entire plant of the railway company could be duplicated for at the present time.

“That this principle is a sound and safe one, and equitable to both the railways and the public, all careful students of the railway problem will generally agree. That the Texas Commission is willing to adhere to it, and carry it out impartially, the following extract from its report bears witness:



“While it is the duty of this Commission, as far as it has the authority to do so, by its rates and rulings, to protect the public against discrimination in rates and service between shippers, and against excessive freight charges, it is equally its duty to establish and maintain such rates as will secure to the railway corporations a proper return of interest on the capital invested, if the condition of the roads with reference to population and business will enable it to do so. And it would not hesitate, if it should be shown to be necessary, to increase rates for this purpose. This Commission has often stated to the freight agents and traffic managers in its meetings with them, that if the railway companies engaged in interstate shipment would make and maintain rates which would be fairly compensatory to them on such shipments, this Commission would do all in its power, by its rates, to secure them reasonable revenue on their railway investments in this State. And we now repeat that statement. But this suggestion contemplates good faith on both sides in the making and maintenance of rates.’

“That the principles above stated have been carried out in practice, as far as the Commission is concerned, appears to be shown by the figures in the report; and it is stated that notwithstanding the important reductions in freight rates, (some of which were made by request of the railway companies,) the returns show an increase in revenue. Rates are not always lowered by the Commission, but in some cases are as high as—or higher than—those which were in force before the railways were subject to regulation. This has been on account of the necessity of preserving rates which have

long been in force on account of competition or other local conditions. These cases are quite limited in number. There has been steady increase in both gross and net earnings per mile in Texas, as compared with the equally steady increase for the whole United States.

“Under the Texas law, no bonds can be issued on any railway line for a greater amount than the actual value as determined by the Commission. Anyone familiar with the water that has been injected into the capitalization of almost every railway corporation in the country at some time in its history through bond issues, will confess that Texas is attempting to remedy a very real and serious evil; every one will watch with interest to see what measure of success is attained in the work that she has undertaken.”

The following extract is from *Engineering*, a London journal of high repute on all that relates to the construction of railroads and other public works. The opinion of this journal is of importance, as many Englishmen invest in American securities :

“In Texas a Railroad Commission, with unusual powers, has been organized, through the legislative exertion of ex-Governor J. S. Hogg, and the annual report before us is interesting. Their ruling as to rates has been affirmed by the Supreme Court; but the chief point in this connection is their function in reference to the promotion of lines and the issue of bonds. Railway com-

panies have a happy way of meeting liabilities by the issue of the bonds in excess of the worth of their property, and one duty of the Commission is to value the property and franchises, and thus determine the maximum amount of bonds that may be issued. The estimate is based on the cost of construction plus a reasonable profit to contractors. Thus 6,000 miles or so have already been valued, and the average worth is £3,185 per mile, beyond which the property cannot be bonded. With this restriction there is a greater chance of profit to the share- or bondholders. Again, the Commission have power over new railways. The route proposed is considered in the light of probable traffic, and is laid out also to involve the least difficulties. It is suggested that otherwise the interested promoter and constructor would map out the most difficult route, so that his profit on construction might be the greater. Bonds for new lines in Texas can only be authorized on the basis of the cost of constructing the road of a certain grade, with a certain kind of material, and of a certain standard of excellence to insure the minimum expense of working. The new legislation has been opposed on the plea that the effect is to discourage the construction of railways and the investment of capital in this class of security. But, as matter of fact, the legislation, which has been in force four years, tends to encourage investment, as it insures the carrying forward of lines which have a prospect of traffic, and at a fair cost for construction, discouraging speculative lines

such as we have incidentally referred to. Moreover insures very reasonable rates of freight. It is the antee which is given by this legislation that is needed to reassure the investing public in all the States."

But little fault can be found with the Texas law, so far as it goes, except to that part of it which provides for the taxation of the roads. Its other fault is that it fails to limit the salary that a "general" or "other" railroad officer may draw from the company. There are but ten owners of the stock of the Galveston, Harrisburg & San Antonio road. If each of these holders is an officer of the road, they may agree to pay themselves such salaries as will prevent the necessity of declaring a dividend, although with moderate salaries there would be money for that purpose. There are no other stockholders, no one would object, and the amount would be covered up, under "expenses of operation," and a howl raised about rates being too high to afford any dividends on the stock.

Texas, however, has done better in the direction of railroad control than has been done by any other

## CHAPTER 10.

**State ownership of railroads.—Evils of United States ownership would not accompany State ownership.—Rate of interest on bonds issued by State in purchase of the roads.—Bonds would remain in the State.—Money in savings banks in United States would buy bonds.—Advantages and disadvantages of State control and State ownership compared.—Civil service under State ownership.—Strikes would cease.—Construction of new roads.**

The State having by law ascertained the present value of the railroads within its borders, would be in a position to know the exact amount it would have to pay should State ownership be decided upon, a plan that may be adopted by the people under the belief that it would be the best means for securing reasonable rates of transportation. State ownership would not bring with it the evils that would attend United States ownership. There being fifty States and Territories, the power of appointing to positions on the roads would be divided among that number of executives or boards having no connecting interests, instead of being lodged in the hands of one person or board. The governments of these fifty States and Territories would probably never all be at the same time under the control of one and the same political party, and that fact would prevent a unity of action on the part of the State governments, against the interests of the people. The government of each political division would be confined to the control of the railroads within its jurisdiction,

while United States control over interstate commerce would prevent the unjust discrimination of any State against the commerce of a sister State. State ownership would not bring with it such tiresome red-tape rules as prevail in all Federal business transactions. Under State ownership, in case of any disagreement between the patrons of the road and the road officials, the fountain-head of justice would be near home; a man could get redress, if entitled to it, in the State where the injury was received. The impositions of this foreign corporation business would cease under State ownership. The "insolence of office" in the road officials would not reach that degree under State ownership that is found in the United States official who has a friend at court. If the abuse of requiring political funds to be raised by the heads of departments by contributions from their subordinates is to be continued, under State ownership they would not all go to assist one of the political parties, as they would under the ownership of the General Government.

Of two evils, it is said one should always choose the least, and on that principle there might be many more reasons given in favor of State ownership as against United States ownership. Should the State finally conclude to buy the roads within its borders, it could make the bonds upon which the money was borrowed for that purpose, exempt from taxation within the State, and thus find plenty of purchasers for bonds bearing  $3\frac{1}{2}$  per cent. interest, redeemable at the option of the State after a

certain number of years. From the fact that they would be taxable anywhere outside of the State, such a provision would tend to keep the bonds at home. There might be constitutional objections in some of the States against making the bonds exempt from taxation, but as it would be to the advantage of all the citizens to get bonds issued bearing the lowest possible rate of interest, and consequently getting a low rate of fares and freights, the objection could be easily overcome by amending the constitution for the sole purpose of issuing such bonds. There is at the present time \$2,000,000,000, nearly one-half enough to buy all the railroads in the United States, in the savings banks of the country, every dollar of which would quickly go into such bonds as above described, issued by the States for the purchase of the railroads, for the reason that the money invested in such bonds would not be taxed, would draw better interest than the savings banks pay, and would be just as safe as if invested in United States bonds. Does anyone suppose that the State of Texas would have any difficulty in borrowing \$150,000,000 on  $3\frac{1}{2}$  per cent. non-taxable bonds issued for the purpose of buying the railroads of the State? No doubt the whole amount would be taken by the people living in the State. The assessed valuation of the property in Texas in 1895 was \$865,120,989; its actual value is probably three times that amount. Should the State buy the railroads, a sinking fund could be created, into which a sufficient per cent. of the earnings of the roads could be paid each year to redeem the bonds at

maturity, the interest promptly paid, and at the same time the people have lower rates than the roads now give them. Should the Federal courts persist in talking about "original cost of construction" as a basis for fixing rates and earnings, the States may be obliged to take the roads under the power of "eminent domain" in order to protect the people against oppressive rates.

It is argued by some that in the event of the public buying the railroads, instead of paying their present value the price paid should be the amount that it cost the corporations to construct them; because, they say, had the public constructed the roads they would have cost the people as much as they cost the corporations,—which is doubtful. But were it true, these honest souls forget that if the people had built the roads they would not for the last sixty years or less have been paying enormous rates while the high-priced materials and rolling stock were being worn out and replaced at little cost.

State control and State ownership appear to be the only alternatives by which the railroad question can be safely and finally settled. There would be advantages and disadvantages attending each of these alternatives, not possessed by the other. State control without ownership would leave the roads in the hands and under the immediate management of the corporations, and while avoiding a vast increase in the number of State offices and places to be filled by the appointing power of the State, which might give that power an undue in-



fluence in State and Federal elections, it would leave the combined power and corrupting influences of all the corporations constantly at work against the public, for the advancement of their private interests. So far as the question of expense is concerned, in either case it would be, as it now is, paid by the people. The question is, By which of these two plans would the expenses of maintaining and operating the roads be lowest? Ordinarily, private enterprises of every kind are conducted more economically than are public enterprises of the same class; but whether private management of the railroads when only a certain income could be earned would be less expensive than public management, is doubtful. Take away the incentive of possible profits, and private management would probably require constant interference on the part of the State, in order to keep down "operating expenses." However, under the supervision of a competent Railroad Commission of the State, under proper regulations controlling the purchase of materials and supplies and the letting of contracts for work to be done, the operation of the roads might be left with the corporations without injury to the public interest. Under proper control the interest of the railroads would become the interest of every man, woman and child in the State.

Under State ownership, the property secured in the purchase of the roads would be different from almost any other kind of property bought by the State, in this, that while almost all other kinds of State property are

a constant expense to the people after purchase, without affording much or any return therefor, railroads would not only pay for and maintain themselves, but would also be a constant source of profit to the people by giving them cheap transportation.

Under State ownership the State would be in a position to properly exercise the police power that belongs to it, and that it alone should be permitted to exercise. Under honest civil-service rules the roads would be taken out of politics. Competitive examinations would secure capable and honest employees and officers, just wages would be paid, and railroad strikes would no longer disturb the peace and cripple the commerce of the country. Railroad corporations having ceased to exist, the roads would take their proper place with the other public highways of the State. No roads would be constructed for the purpose of speculation, but would be built with due regard to the lines of commerce and the needs of the people.

Under State ownership new lines of road could be constructed in the several States whenever and wherever necessary, without first obtaining permission from the representatives of the people living in distant States. No sectionalism growing out of business interests would enter into the question of the location of new lines under State ownership, such as would more or less control the construction of new roads under United States ownership.

Railroads are no longer an experiment. When con-

structed they at once become public roads for all future time, and it is probable that the building of new roads will keep pace with the cheapening processes of new inventions and the growth of population. This eternal contest between the people and the corporations should be forever ended, and it may be that State ownership is the only remedy for the evil. State control might only "scotch the snake, not kill it." Should the people conclude to try State control without ownership, every step that is properly taken for that purpose would be a step that must be taken to accomplish State ownership, should that be decided upon; such as ascertaining by law the value of the roads, etc., etc. The people have the power, and it is to their interest, to put an end to corporate oppression. Had the railroad question been promptly taken up by the people for settlement when it first came up, they would not now be paying unjust freight rates on the products of their farms and factories. It is a matter that cannot be disposed of in one month, or even in one year,—it may take several years; but the longer the settlement of it is deferred, the more difficult it will become. The united efforts of those most interested in having an equitable regulation of inland transportation will settle the whole matter on a just basis, in spite of the unscrupulous opposition that is sure to be offered by the corporations. All power is in the people; they **have** but to will it, and the railroad question will no **longer** be a disturbing element in the business interests of the country.

## CHAPTER 11.

### SUMMARY.

The statistics contained in the preceding chapters prove the following facts, viz.:

1. That in 1850 there had been 9,020 miles of road constructed in the United States, at an average cost of \$33,000 per mile, and that in 1860 there had been 30,626 miles of road constructed, at an average cost, as represented by stocks and bonds, of \$33,000 per mile; and that for the nine years from 1851 to 1860, inclusive, the average price of pig iron per ton was \$27.25 +; of bar iron per ton, \$70.00; and of iron rails per ton, \$59.51 +.
2. That during the nineteen years following 1860 and ending with 1879, there were 55,958 miles of road constructed, at which time the average cost per mile on all roads was \$57,730, and that from the year 1861 to 1879, inclusive, the average price per ton of pig iron was \$34.29; of bar iron per ton, \$70.00; of iron rails per ton, \$67.05; and of steel rails per ton, from 1867 to 1879, \$96.67; while from 1860 to 1879, inclusive, the average price of locomotives other than switching, was \$12,200 each.
3. That during the seventeen years following the year 1879 and ending with the year 1896, there

96,016 miles of road constructed, making a total mileage of 182,776 miles of single track, at an average cost, as represented by stocks and bonds, of \$61,867 per mile. During the seventeen years from 1880 to 1896, inclusive, the average price of pig iron was \$18.87 per ton; of bar iron, \$44.55 per ton; of steel rails, \$35.34 per ton; while the average price of locomotives, other than switching, was \$8,005 each.

4. That during the construction of the 96,016 miles of railroad from 1880 to 1896, inclusive, the average cost per mile, as represented by stocks and bonds, for the whole seventeen years, was \$60,875; and that during this period of time pig iron was 30+ per cent. cheaper, bar iron 36+ per cent. cheaper, and steel rails 40+ per cent. cheaper than pig iron, bar iron and iron rails were from 1852 to 1860, inclusive; while the average cost per mile in 1860, as represented by stocks and bonds, was \$21,875 less per mile than the average amount of stocks and bonds per mile from 1880 to 1896, inclusive.
5. That the railroads of the United States did not originally cost one-half of the amount for which they are stocked and bonded.
6. That there has been a great decline in the prices of railroad materials and rolling stock since much of the mileage was constructed,

7. That the present value of all the roads is but little more than two-fifths ( $\frac{2}{5}$ ) of the face value of the stocks and bonds that have been issued by the corporations and based upon the lines, and which do not include the \$1,404,130,581 of stock issued by the "Joint Traffic Association," the dividends on which must be paid by the patrons of the roads.
8. The statistics show that the face value of the bonds alone exceeds the value of all the roads by about \$578,516,457, and that the bonds represent much more than the amount of money that was honestly expended in the construction of the roads.
9. That of the \$5,416,074,969 of bonds reported by the corporations on 178,549 miles of road, all but \$400,111,363 have been sold to the people that furnished the money to construct and equip the roads, and who are satisfied with the interest the bonds bear, and that therefore the interest on the bonds is "a reasonable rate of interest" on the value of the roads; and that being the case, that at least \$5,290,730,567 of stocks and \$578,516,457 of bonds on this 178,549 miles of road represent no part of the cost of constructing and equipping the roads.
10. That this \$5,869,247,024 of over-issue of stocks and bonds on the 178,549 miles of road, at the same proportion per mile, amounts to \$6,008,192,741 on the 182,776 miles of road in existence on

June 30, 1896; represents no dollar of honest investment by the corporations, and is an incubus on the industries of the country far more oppressive than would be an increase of the national debt in that amount.

11. That the operating expenses of the railroads in the United States are at least 15 per cent. higher than in any other country in the world that has a considerable mileage of railroads and uses late improvements.
12. That the heavy expense of operating the roads in this country is largely caused by the payment of unreasonably high salaries to an army of unnecessary railroad officials, and the support of "the many parasites on corporate management by which profits are sucked up," and that at the present time fares and freights are at least 50 per cent. higher than they should be.
13. It is shown that the rule laid down by the Federal courts, for the guidance of State Railroad Commissions in fixing rates within the State, is manifestly unjust to the people of the State.
14. That the rule adopted by these courts for the purpose of arriving at the value of railroads is an attempt on the part of the courts to protect the property of the corporations from decreasing in value in the same or any proportion that the same kind of property belonging to private persons, the *producers* of the country, decreases.

15. That the Federal Courts, in their decisions, give to the corporations the right to fix rates on a basis of the prices of watered stocks and bonds made by "wash" sales in gambling stock boards.
16. It is shown that the railroad corporations pay but  $\frac{1}{8} +$  of one per cent. on the alleged value of the roads, and that not one cent of the railroad taxes comes from the pockets of the stock- and bond-holders, but are all paid by the patrons of the roads, the burden of which falls most heavily on the farmers of the country.
17. That laws providing for the taxing of railroad "franchises" simply legalize larceny on the part of the corporations, and that all property owned by the corporations that is actually necessary to and used in the operation of the roads, should be exempt from taxation, by which means the number of railroad officers and clerks could be greatly reduced and rates on the roads materially lessened.
18. The question of United States ownership of the railroads is discussed, and reasons are advanced to prove that such a step would be dangerous to the constitutional rights of the States, the liberty of the people, and the commerce of the country.
19. The instance of the destruction of navigation on the magnificent inland waterways of the United States is cited as an example of how Government control of inland transportation can be turned into *control* by the corporations,



- 20.** It is shown that either State control without ownership, or State ownership of the railroads, is the only safe alternative that can be adopted in the solution of the railroad question ; and that by proper Federal and State legislation under either of these alternatives, full justice can be given to all concerned and the troubles arising out of the railroad question brought to an end.
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In the following chapter, A WAY IS POINTED OUT BY WHICH THE PRODUCERS OF THE COUNTRY CAN SECURE FEDERAL AND STATE LEGISLATION FOR THE PROPER CONTROL OF RAILROADS.

## CHAPTER 12.

Remedy for existing evils of railroad management.—Agricultural products.—Security of the country is its crops.—Evils that would attend loss of trade.—Trans-Siberian Railway.—Russian competition in the grain markets of the world.—Crops of wheat in 1897 and 1898.—Producers to act for just legislation concerning railroads.—The farmer vote, what it can do.—Producers should unite for railroad legislation in 1899 and 1900.—Should be the main issue in State and Federal elections.—The two leading parties can be forced to take up the issue.—A new party might become necessary.—Care to be taken in the selection of candidates.—General prosperity will follow just railroad legislation.

It would be of the greatest advantage to all the producers of the country, to have the matter of railroad transportation settled on a just basis, but to no class of producers would it bring such advantages as would accrue to the farmers of the United States. There has for many years been a gradual decline in the prices of nearly all of the products of the farm. This decline has at times been temporarily arrested by the failure of crops in other countries, and the attempt on the part of speculators to corner the market; but the general course has been downward, and the result has been a decline in the value of farming lands in nearly all the grain-producing States. The farmer, while furnishing the articles of export that give us the balance of trade which secures to some extent the general welfare of the country, has himself year by year grown poorer through a gradual decline in the value of his land. It has for

many years been the boast of politicians that America feeds the world, and that this fact will always secure our national prosperity. If it be true that our prosperity comes from our agricultural exports, then it follows that the prosperity of the country depends upon the farmer, for without his labors there would be no balance of trade in our favor. A recent article in the *New York World* is well worth studying, for it gives some figures that are not known by all the people concerning our foreign commerce, for the year ending June 30, 1898. The *World* says as follows upon that subject :

**"AMERICA'S CHIEF PROTECTION THE FACT THAT SHE FEEDS  
THE WORLD.**

"The figures of our foreign commerce for the fiscal year ending June 30 are eloquent and instructive.

"Our total exports exceeded \$1,200,000,000—a record-breaking figure. Of these, the products of agriculture exported amounted to \$854,627,929, an increase of more than \$170,000,000 over the figures of the preceding year.

"Of the total increase in our exports, which was almost wholly of agricultural products, the increase to European countries was \$160,000,000. These customers of ours took altogether \$973,699,289 of our products. So much is 'abroad' to us!

"In other words, we feed Europe. In spite of the hostility of Germany and France to the American hog,

and in spite of every kind of petty opposition to and persecution of our exporting industry, we are still the world's granary and the source of its food supply.

"Any interruption in this supply would mean a disturbance of values and prices in every European market such as few European governments could stand. The first result would be the absolute hunger of the working classes, of the bread-winners and of the bread-eaters. Riots and anarchy and the overturning of governments and dynasties would be the ultimate result of any long-continued interruption of the American food supply.

"The peace and security of the United States are guaranteed by its crops. So long as our farmers furnish the military camps of Europe with their rations, there is no danger of their disturbing our peaceful supremacy."

If the interruption of America's food supply should be attended by such disturbances of values and prices in every European market as is predicted by the writer of the *World* article, what would it mean to the farmers of this country if it should happen that the great advantage of feeding Europe were suddenly taken away from us, and that a large part of the food supplies that Europe now gets from the United States were furnished by another country? What effect would that loss of trade have on the price of farming-lands in the United States? What would be the condition of the 27,000,000 of people who are supported by agriculture? What

would be the condition of the farmers and their families, whose lands are heavily mortgaged? What wages would the laborer get with the price of wheat, corn and cattle too low to afford the farmer any profit in raising them? Would it not necessarily happen that the wages of the laborer in the United States would quickly go to the level of the wages of the laborer in Europe?

Anyone who should predict that within the next five years the United States will cease to be the granary of Europe, would be called a pessimist or an alarmist,—to say nothing of the other hard names that the jingo and the optimist would apply to him. And yet it is certain that within the next two years, in 1900, the great Trans-Siberian Railway will be completed to the Yellow Sea. This road will be, when completed, almost 5,000 miles long. It is being constructed by the Russian Government for military and commercial purposes. It will provide an ample outlet for the agricultural and other products of the vast territory of northern Russia and Siberia, which up to this time have been shut out from the markets of Europe by lack of transportation facilities. It is said that almost every mile of the road will pass through one of the best grain-producing regions of the world. In 1897 the United States produced 492,000,000 bushels of wheat; in the same year Russia produced 387,035,000 bushels, and Canada's production was 51,075,000 bushels. In the year 1891 the United States produced 33,000,000 bushels of rye, while in the same year Russia produced 539,000,000

bushels. The Russian Agricultural Ministry gives the grain crops of that country for 1898 as follows: 417,450,000 bushels of wheat, 717,786,000 bushels of rye, 320,141,000 bushels of barley, 606,861,000 bushels of oats, and 42,779,000 bushels of maize (corn). It is alleged that with proper transportation facilities the output of Russian grain can be increased threefold. In northern Russia and Siberia beef retails at 2 cents per pound.

The area of the United States and the Territories is 3,602,990 square miles; the area of the Russian empire is 8,644,100 square miles. The area of Canada is 3,457,000 square miles. The wheat belt of Canada is 500 miles wide and 2,000 miles long, and it is being rapidly settled by emigrants from the United States and Europe, who are taking up the land for the purpose of raising wheat, barley, rye, and oats. Many branch lines of railroad are being constructed from the Canadian Pacific through this newly settled region, which will at once give the inhabitants an outlet for the products of their farms. We have recently seen what the Canadian Pacific Railroad can do in the way of low rates. The great territorial extent of the grain-producing regions, both in Russia and Canada, renders it extremely improbable that there will ever be a general failure of crops in either of those countries. It is Russian competition, however, from which the American farmer has most to fear; and it would be worse than foolish to disregard the present indications of what will be sure to come

when the Siberian road is finished. In order to meet foreign competition in the markets of the world, if the American farmer can successfully do so at all, it will be necessary for him to have the lowest possible freight rates from every part of the interior of the country, to the seaports. If such rates are secured, it will be done solely by the people to be benefitted thereby; that is, by the farmers and other producers, and their laborers and employees. But should other producers fail to take part in the contest for just rates, the farmers and their employees can unaided win the battle.

In 1890 there were 5,055,130 farmers, planters and overseers, and 2,556,930 agricultural laborers, making a total of 7,612,060 persons, nearly all of whom were voters, who are directly interested in securing just rates on inland transportation. The total number of votes cast for all Presidential candidates in the election of 1896 was 13,923,378. It will be seen from these figures what influence the agricultural vote must have had in deciding the contest. It is certain that any candidates in whose support the farmer vote is united will be elected in nearly every State in the Union. The farmer vote can elect the President of the United States and the majority in both houses of Congress; it can elect the majority in both branches of the legislature, the Governor, and all other State officials in nearly all the States. The producer vote can amend the Constitution of the United States and the Constitution of nearly every State in the Union,—and it can do all this

without resorting to the corrupt use of money or political influence. The producers of the country should profit by the example of the people of the United States in our recent war with Spain,—drop all minor political questions, and without regard to former or present party affiliations unite for the one object of settling the question of who shall control our public highways and lines of inland transportation. Should they do so, they will find their victory as easy and complete as were those of Dewey and Schley.

The opinions of the producers in one section of the country differ from those of the producers of another section, as to which is best for the whole country—high tariff or low tariff: some want free trade. In some sections they want the single, gold standard as the measure of value; in other sections they want the free and unlimited coinage of silver at a ratio of 16 to 1. In the same sections they are arrayed against each other on many questions of political economy; but there is one matter upon which all farmers and other producers agree, and that is that they pay to the railroads too large a proportion of their gross earnings in getting their products to market.

Producers and their employees, like all other classes of citizens, are connected with and owe allegiance to the different political parties of the country. At each Presidential election, for many years past, there have been four or five candidates in the field; but since the organization of the Republican party, the real contest



has at each election been between the Democratic and the Republican candidates. In many of the elections the combined vote of the third, fourth and fifth parties in the field could have caused a different result in the election had it been cast in support of the candidate having the second largest number of votes. It has many times been in the power of the third, fourth and fifth parties in the field to elect either a Democrat or Republican for Governor of the State, and also a majority in both branches of the Legislature; while they had no chance whatever of electing either of their own candidates. Many farmers are neither Republicans nor Democrats, but affiliate with one of the minor political parties,—which is all right as a matter of principle, but greatly to the neglect of their material interests.

What the farmers and other producers want, and have just cause for demanding, is a radical reform in the laws applying to corporations, and especially to railroads. Complete control of railroads can only be had through State and Federal legislation. It can only be had through one or other of the two great national parties, or the formation of a new party; but it is probable that by far the greatest present benefit could be had through the Republican or Democratic party, for the reason that it is almost certain that one or the other of these parties will control the Government of the country for years to come; and what the producers want, and must have, is speedy relief in the matter of fares and freights. To get this, they must drop for the present time, differences of

opinion on all minor political questions, and make proper railroad legislation a National as well as State issue in the next general election. This they can do, by organizing and pledging their support to whichever of the two great parties shall adopt a platform best calculated to afford the legislation and relief demanded by the producers.

Corporate power and influence with those in certain high places has for years been a scandal and a blot on the Government of this country; and this can be truthfully said of both the Democratic and Republican administrations. Corrupt pretenders and ignorant political quacks have been elected and appointed to high positions, only to disappoint and betray the people. Both parties have again and again adopted platforms stuffed with ringing generalities, to be interpreted to the people by hired speakers in different parts of the country, in whatever way might seem best to catch the local votes. Both parties have been loud in their denunciations of trusts and combines, and yet corporate power was never so great as it is today. But great as that power is, when opposed by the united power of the American producers it will shrivel up like the putrid carcass before the July sun. When the two great parties understand that they must do the producer justice or lose his vote, no doubt they will try to outdo each other in *promising* him the desired relief; but this condition of affairs can only be brought about by organization. The corporations are thoroughly organized in every part

of the country, and will make a bitter fight against any just legislation for the relief of the overtaxed producers. They will spend millions of dollars in the attempt to carry the elections and defeat any and all measures that tend to give railroads their true status in the State, and the money so spent will be charged up to "operating expenses."

The organization should be for the sole purpose of procuring State and National legislation for the complete control of the public highways by the States in which they are situated. In this fight no other issue should be taken up, nor any other question considered, which will in any way tend to create dissension in the ranks of the producers. There is ample time in which to prepare and present a single, plain issue at the general election in 1900. All questions as to Tariff, Money, and all other similar issues, should be continued for future action, for they are all of secondary importance to the railroad question. Before resorting to the formation of a new party, the two great leading parties should be plainly informed of what is demanded of them in the way of railroad legislation. Should both parties fail to respond to the demands of the producers, there would in that case arise the necessity for the formation of a new party; but it is almost certain that both the Democratic and Republican parties can be forced to make the proper control of inland transportation one of the principal planks in their platforms for 1900. In the meantime, much good work can have been done in the

State elections of 1899. Under State control or State ownership, the principal part of the legislation will have to be done by the State Legislature, but Federal legislation will be necessary in order to provide for the Federal control of railroad bookkeeping in all matters pertaining to interstate commerce, and the reports to be made by the corporations to the Interstate Commerce Commission.

Federal legislation should provide for full reports to be made by the Interstate Commerce Commission of all moneys earned and all expenses incurred by every road on interstate business. When freight is loaded on the cars at San Francisco, or Seattle, or any of the central points, for New York, it will necessarily pass through many States in reaching its destination. The Interstate Commerce Reports should show the amount of money earned on such freight in each State through which it passes, in order that such earnings may be considered by the State Railroad Commission in fixing maximum rates in the State. The same rule should apply to the through passenger traffic.

If the "platform" of either of the leading parties be satisfactory to the producers on the subject of transportation, the next matter to be inquired into will be the record of the candidate who receives the nomination. The producers would be wasting their time and sacrificing their interests in supporting an employee or ex-employee of the railroads. If the candidate's record is a clear one, the next requirement should be that he fully

and plainly define the position he occupies, and the policy he will pursue on the railroad question if elected. Regardless of the office he seeks, the candidate should be required to make this declaration in the most public manner possible. A candidate who travels on a railroad pass does so at the expense of those who pay for their tickets, and places himself under obligation to the corporation that gives him the pass. Such a man could not be trusted to do justice between the roads and the people. No one need abandon his opinions on any of the other political questions of the day in making a fight against corporate injustice. If necessary, the candidates can be pledged to hold all other questions in abeyance until the railroad question is settled.

Should there be any other legislation that is in any manner injurious to the interests of the producers, while the railroad question is being settled, they can easily cause its repeal by acting together. It is probable that Congressmen and Senators will look out for the interests of their immediate constituents, and while working for the accomplishment of the principal purpose for which they were elected, see to it that the local interests of their people in other matters do not suffer by adverse legislation.

In addition to the railroad question, Senators and Congressmen would no doubt represent the views of their constituents on such questions as finance, tariff, etc., etc.,—just as they now do, and thus leave the complexion of Congress on those questions about the same

as it now is. Nothing need be sacrificed in making a united effort for the attainment of just laws on one subject. All newly elected Senators and Congressmen being pledged to work for and vote for laws that will give the producers relief, there would be no necessity for trading votes or compromising other interests, in getting proper railroad legislation.

Great care should be taken to select candidates for Congress and the Legislature who are capable of drafting laws that will stand the technical tests to which they will be subjected by the State and Federal courts; and if necessary, special counsel should be employed for the purpose of carefully examining all bills on railroad legislation before the same are passed upon by the State Legislature. Railroad attorneys and agents, not being able to defeat proper legislation concerning the roads, will attempt to get into the bills introduced such radical measures in favor of the people as will render any laws enacted on that subject unconstitutional, and therefore null and void. Much care will be required in order to prevent a defeat of the producers by such means.

The President nominates all the candidates for the position of Judge of the Supreme Court and of all other Federal courts. If the corporations can secure the appointment of the kind of Federal judges they want, all legislation, State and Federal, that does full justice between the producers and the railroads, will be declared unconstitutional, and for that reason the producers should be extremely careful in selecting the can-

didate who is to have their support for the office of President of the United States. If he has ever been in any way connected with the corporations, trusts, combines, or Wall Street, he is not the man that the producers want for President. After the nomination is made by the President, it must be confirmed by the Senate before the nominee takes office, and therefore great care should be exercised in selecting candidates for the United States Senate, who, besides being responsible for the appointment of Federal judges, railroad commissioners, etc., are also responsible for Federal legislation if enacted with their consent or by their votes. The producers do not want a man for Senator who has ever had any connection with the corporations, trusts, or combines, or who could be unduly influenced by them.

The candidate for the United States Senate having been selected, the producers should be careful to select honest, capable men for the State Legislature, who are free from corporate influence, and will work and vote for the producers' candidate for the United States Senate, and for just State legislation concerning railroads. In selecting candidates for Congress, the producers should avoid all railroad and ex-railroad attorneys, and all others who are or have been in any way connected with corporations, or whose past renders their future actions doubtful.

By selecting and supporting honest, competent candidates for all the offices, the producers can secure such

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